

SOUTHERN AFRICA TRADE HUB



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SOUTHERN AFRICA

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ACRONYMS

ABC	Agricultural Business Chamber
ACTIF	African Cotton and Textile Industries Federation
AEO	Authorized Economic Operator
AFMA	Animal Feed Manufacturers Association
AFSTA	African Seed Trade Association
AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
AWEP	African Women Entrepreneurship Program
B2B	Business to Business
BEMA	Botswana Exporters and Manufacturers Association
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
CCA	Corporate Council for Africa
CMI	Corridor Management Institutions
CMT	Committee Responsible for Trade
COMESA	Common Market for Eastern and Southern Africa
COMPETE	Competitiveness and Trade Expansion Project
CPMS	Corridor Performance Monitoring System
DCA	Development Credit Authority
DCC	Dar Corridor Committee
DOC	Department of Commerce
DRC	Democratic Republic of the Congo
DTI	Department of Trade and Industry
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
ECIC	Export Credit Insurance Corporation
EFTA	European Free Trade Agreement
FTA	Free Trade Agreement/Free Trade Area
FTF	Feed the Future
FY	Financial Year (October– September)
GMP	Good Manufacturing Practice
GMO	Genetically Modified Organism
GOSA	Grain Handling Organization of Southern Africa
HACCP	Hazard Analysis and Critical Control Point
IBM	Integrated Border Management
ICBT	Informal Cross Border Trader
ICT	Information and Communications Technology
IO	Intermediary Organization
IR	Intermediate Results
ISMO	Independent System and Market Operator
ISO	International Standardization Organization
JBC	Joint Border Committee
LNDC	Lesotho National Development Corporation
M&E	Monitoring and Evaluation
MFN	Most Favored Nation
MOU	Memorandum of Understanding
MRA	Malawi Revenue Authority
NAMPO	National Association of Maize Producers
NASFT	National Association for the Specialty Food Trade

NEPAD	New Partnership for Africa's Development
NTB	Non Tariff Barrier
OSBP	One Stop Border Post
PMP	Performance Monitoring Plan
RADDEX	Revenue Authority Digital Data Exchange
RIA	Regulatory Impact Assessment
RERA	Regional Electricity Regulatory Association
ROO	Rules of Origin
RSS	Real Simple Syndication
SACAU	Southern African Confederation of Agricultural Unions
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAFEX	South Africa Futures Exchange
SAFFA	South African Fine Foods Association
SAGL	Southern African Grain Lobby
SAPP	Southern Africa Power Pool
SARS	South Africa Revenue Service
SATH	Southern Africa Trade Hub
SIPA	Swaziland Investment Promotion Agency
SSASA	Sub Saharan Africa Soy Alliance
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TCC	Trans Caprivi Corridor
TFNSA	Trade Facilitation Needs Self Assessment
TIDCA	Trade, Investment Development and Cooperation Agreement
TKC	Trans Kalahari Corridor
TMCM	Trade Monitoring and Compliance Mechanism
TMSA	Trade Mark Southern Africa
TNF	Trade Negotiating Forum
TRA	Tanzania Revenue Authority
Tralac	Trade and Law Centre for Southern Africa
UPP	User-Pay Principle
US	United States of America
USAID	US Agency for International Development
USDA	US Department of Agriculture
USTDA	US Trade and Development Agency
UNECA	UN Economic Commission for Africa
UNOPS	UN Office for Project Services
WISHH	World Initiative for Soy in Human Health
ZAMACE	Zambia Agricultural Commodity Exchange
ZRA	Zambia Revenue Authority

EXECUTIVE SUMMARY

The overall goal of the Southern Africa Trade Hub (SATH) is to increase international competitiveness, intra-regional trade, and food security in the Southern African Development Community (SADC) region. SATH supports progress on advancing the regional integration agenda and works to increase the trade capacity of selected value chains.

SATH works with the SADC and the Southern African Customs Union (SACU) Secretariats, SADC Member States, the private sector and civil society to advance international competitiveness, intra-regional trade and food security across the region. While most countries in SADC have sound macroeconomic policies, the incentives at the firm and sector level continue to be biased in favor of producing for the domestic market. The region has invested considerable resources in implementing a Free Trade Area and has succeeded in largely eliminating tariffs on intra-regional trade. However, this has not resulted in a significant increase in trade. It is increasingly recognized that non-tariff barriers resulting from domestic regulatory policies and licensing restrictions, along with cumbersome border procedures and high transport costs, are the binding constraints. SATH commenced on September 20, 2010 and during the first quarter, the project engaged in extensive consultations with regional stakeholders throughout Southern Africa, prepared a draft work plan and organized a formal launch workshop in Botswana. The project moved into new premises in November, recruited local support staff and mobilized the core technical personnel through the first quarter.

During the first year of the project SATH launched a series of new initiatives that lay the foundation for delivering results through the outer years of the project. These include:

- Enhancing Trade Liberalization in Southern Africa;
- Activities aimed at reducing the time taken to 'Trade across Borders';
- Improving energy regulation to encourage investment in clean energy; and,
- Activities to increase international and regional trade in the priority value chains.

SATH activities to promote trade liberalization included support to SADC on the Annual Trade and Customs audit, country assessments of accession to the SADC Trade Protocol, Non-Tariff Barrier notification and reform, trade capacity assessments, analysis of the transport services sector, and support for the establishment of the SADC Sanitary and Phyto Sanitary (SPS) Coordinating Committee.

Activities aimed at reducing transit time and lowering transit costs focused on streamlining procedures at the border posts and addressing transport and clearance issues along the major corridors and ports. SATH entered into a partnership with the Trans Kalahari Corridor, Botswana Unified Revenue Service and Namibia Customs for Microsoft to pilot customs interconnectivity using Cloud Computing at the Mamuno border post. The interconnectivity software has the facility to be extended to cover all border permits and is a precursor towards the introduction of a regional single window. SATH launched Integrated Border Management (IBM) initiatives in both Malawi and Zambia, undertook an assessment of the major causes of time delays (which revealed port dwell time as a key bottleneck), revitalized the dialogue on railway policy issues and advanced moves to adopt eCertificates of origin within SADC.

To improve the capacity of energy regulators to develop and implement policies for clean energy, SATH worked to build relationships with key energy stakeholders including the Regional Energy Regulatory Association (RERA), the Southern Africa Power Pool (SAPP), the SADC Energy Group and energy regulators in countries throughout the region. In developing this new initiative, SATH undertook consultations to develop programs in countries throughout the region including Botswana, Namibia and Mauritius. This resulted in an Energy Diagnostic study which draws lessons from regulators and emerging regulators in the region. Based on the diagnostic, SATH has put in place an active training program for energy regulators and practitioners which will promote the investment and development of clean energy.

The SATH assessment of the agricultural value chains identified maize, legumes (soy and groundnuts) and cotton (including textiles and apparel) as priority sectors based on their potential contribution to the SATH trade and food security indicators. SATH undertook value chain analysis to identify the challenges and opportunities facing private sector stakeholders and developed activities and tasks targeted at addressing the constraints along the value chain.

SATH focused on selecting partners for each of the priority commodity value chains identifying South African entities with the expertise, capital and desire to work in Southern Africa. Key partnerships developed during the past year include: **Development Finance Institutions**, the *Export Credit Insurance Corporation (ECIC)*, a provider of political and commercial export insurance, agreed to develop new products and services targeted at the agricultural value chain in the region; **South Africa Department of Trade and Industry (DTI)**, co-sponsored a program with SATH to train and support regional participants attending the Fancy Food Show in Washington, DC; **Corporate Private Sector**, *Groundnut Marketing SA*, the largest importer of groundnuts into South Africa, to develop an aflatoxin mitigation program in their groundnut supply chain in Malawi and Mozambique; **Trade Associations**, the *Agricultural Business Chamber (ABC)*, the pre-eminent agricultural and agribusiness association of South Africa, signed a MOU with an initial focus on unlocking barriers to maize trade within the region; and, **Business Service Providers**, *Cotton SA*, the former cotton marketing board of South Africa, to provide expertise in grading, quality control, and introduction of GM-enhanced cotton seed in the region.

SATH fostered direct and strategic business to business interactions, including: **NAMPO Harvest Day** in South Africa in May 2011, SATH trained and supported over 50 value chain participants from Malawi, Mozambique, Zimbabwe, and Zambia to participate in the largest agricultural show in sub-Saharan Africa which resulted in \$30m transactions; the **Clothing/Garment Business to Business (B2B)** in South Africa in June 2011 brought together 55 companies from 15 countries, including major retailers Wal-Mart, JC Penney, and H&M resulting in over \$1.5 million in deals to date; and, a **Buyer/Seller mission** to northern Mozambique brought South African buyers of groundnuts and beans, seed companies from Zimbabwe and producers from Nampula Province.

INTRODUCTION

This Annual Report summarizes achievements and outcomes as well as challenges encountered from the Fiscal Year (FY) 2011 work plan for the United States (US) Agency for International Development's (USAID) Southern African Trade Hub (SATH). The overall goal of SATH is to **increase international competitiveness, intra-regional trade, and food security in the Southern African Development Community (SADC) region**. SATH supports progress on the regional integration agenda and increases the trade capacity of regional value chains in selected sectors. The delivery of targeted technical assistance assists government, the private sector, and civil society organizations throughout the SADC region to realize the advantages of greater regional and global trade linkages and export-oriented business development through assistance in eight intermediate results (IRs):

Objective 1: Advancement of the Regional Integration Agenda

IR 1.1: Enhanced Trade Liberalization

IR 1.2: Improved Trade Facilitation in Transit, Customs, and Other Areas

IR 1.3: Alignment of Regional Agricultural and Other Standards with International Standards

IR 1.4: Strengthened Regional Capacity for Energy Sector Planning and Cooperation

Objective 2: Increased Trade Capacity of Regional Value Chains

IR 2.1: New Trade Linkages Established and Greater Competitiveness in Staple Foods and Other Strategic Value Chains

IR 2.2: Enhanced Private Sector Capacity to Comply with Regional and International Market Standards, Including Agricultural Standards

IR 2.3: Increased Use and Availability of Financial Products and Services for Trade and Investment

IR 2.4: Increased Use and Availability of Trade-Related Information and Communications Technology (ICT) Products

OBJECTIVE 1: ADVANCEMENT OF THE REGIONAL INTEGRATION AGENDA

In the decade since the signing of the Protocol on Trade in 2000, SADC Member States have significantly reduced tariff barriers to intra-regional trade under the Free Trade Area (FTA). However, to achieve the benefits of regional integration, further steps are required. The potential advantages of regional integration in trade are many including the ability to realize economies of scale, compete on a broader scale and increase overall economic efficiency.

Tariff reductions are necessary but not sufficient in an environment characterized by widespread Non Tariff Barriers (NTBs), poor logistics and weak backbone services. Moving forward, reductions in tariffs and NTBs must be combined with initiatives to address the overall regulatory and enabling environment. These initiatives include improving trade facilitation in the areas of transit and customs as well as addressing constraints to regional trade caused by the variations in regional standards – particularly agricultural standards – from international standards.

Additionally, activities contributing to the advancement of the regional integration agenda also supports the overall goals of the Feed the Future (FtF) initiative in two main ways. First, greater trade in the region and beyond will increase income. Making citizens more income secure is an important component of ensuring food security. Second, agricultural commodities are a primary component of regional trade. Deeper regional integration will ease the flow of all commodities, including agricultural commodities, contributing to greater food security in the region.

SATH works in four Intermediate Results (IRs) under Objective 1:

IR 1.1: Enhanced Trade Liberalization

- Sub IR 1.1.1 Effective Implementation of the SADC FTA

- Sub IR 1.1.2 Successful Implementation of the Tripartite Summit Agreement

- Sub IR 1.1.3 Increased Capacity of Member States to Engage in Trade Negotiations and Implement Trade Agreements

IR 1.2: Improved Trade Facilitation in Transit, Customs and Other Areas

- Sub IR 1.2.1 Improved Performance of Trade Corridors and Transit Systems

- Sub IR 1.2.2 Streamlined Customs Procedures

- Sub IR 1.2.3 Increased Investment through Improved Policies and Promotion Efforts

- Sub IR 1.2.4 Greater Trade in Services through Improved Policy

IR 1.3: Alignment of Regional Agricultural and Other Standards with International Standards

IR 1.4: Strengthened Regional Capacity for Energy Sector Planning and Cooperation

IR 1.1: Enhanced Trade Liberalization

Sub-IR 1.1.1 Effective Implementation of the FTA

Activity 1.1.1.A Accession to the SADC FTA of Angola, DRC and Seychelles

SATH worked with the SADC Secretariat on activities to move forward the accessions of Angola, DRC and the Seychelles.

Angola

The accession mission is on hold pending scheduling by the SADC Secretariat and Angola. Angola took over the Chair of SADC in August 2011 and it is possible there will be renewed attention to the accession process. The background documents were prepared and SATH awaits the rescheduling of the mission – possibly following the next meeting of the Committee of Ministers Responsible for Trade (CMT) in November 2011.

DRC

SATH has been actively involved in preparations for the DRC's accession process. At the request of the DRC Ministry of Trade, SATH submitted a concept note for a complete program, which outlined an initial mission to gather information for the needs assessment followed up by a stakeholder workshop. The mission was completed in August 2011 and SATH met with public and private sector stakeholders to receive their views and concerns on the potential accession of the DRC, with the working group established to review documents to develop a roadmap, and to identify training needs.

SATH has been actively involved in preparations for the DRC's accession to the SADC Protocol on Trade and Free Trade Area.

The mission revealed that there is a lack of consensus among the stakeholders on the way forward for regional integration, with differences of opinion voiced even within the same Ministry. The private sector seemed particularly reluctant to endorse the idea of participating in a SADC FTA or any of the other regional groupings. The DRC is involved in discussions with the Common Market for East and Southern Africa (COMESA) on participation in the customs union, SADC on participation in the FTA and, additionally, policy makers are actively involved in the Tripartite FTA process. Currently, the DRC does not participate in

any of the regional agreements and there is significant uncertainty on the implications of doing so. As such, the capacity building initiatives planned will have a strong focus on economic analysis such as the distinction between a FTA and customs union and the meaning of the tripartite.

SATH is currently preparing a paper which provides an overview of the potential implications of DRC accession to the SADC FTA. The draft will be circulated to the DRC working group in year two after which SATH will present the results in 2012. Following the stakeholder workshop, SATH will work with the Ministry of Trade in the DRC to develop follow on activities.

The Seychelles

SATH consulted with the Seychelles to identify capacity building needs in conjunction with the accession process. In August 2011, the Seychelles submitted a draft tariff offer to the SADC Secretariat for analysis and SATH prepared a memorandum analyzing the proposed tariff offer, which formed the basis of initial, informal discussions between the SADC Secretariat and the Seychelles. The initial documents propose immediate tariff phase down albeit with a substantial list of excluded products – more than 800 tariff lines. It is anticipated that the Seychelles will submit a formal offer in year two and SATH will work with the SADC Secretariat to prepare a complete analysis for presentation to the Member States. Additionally, the Seychelles requested a capacity building program on SADC FTA issues which SATH will coordinate in year two.

Challenge: This activity is demand driven, and rescheduling of the missions by the Deputy Executive Secretary of SADC hindered progress on the SADC FTA accession for Angola. SATH has worked with the Seychelles and we are awaiting a formal request for assistance. Both missions are currently pending.

Activity 1.1.1.B Strengthen the capacity of SADC Secretariat to monitor the FTA

Analysis of Malawi's Request for Derogation

SATH prepared an analysis of Malawi's customs code changes in line with their tariff phase down obligations under the SADC Protocol on Trade. The analysis of the MFN changes demonstrated that for only a small number of tariff lines (361) would the lowered MFN tariffs represent a change for SADC Member States. The final report was submitted to the SADC Secretariat and will be discussed at the SADC Trade Negotiating Forum meetings in January 2011. At the meeting, Malawi noted that the original changes to the Customs Code were in error and they submitted new changes to the Customs Code in order to bring them up to date on SADC obligations. An updated analysis was submitted at the June 2011 TNF meetings. In late 2011, Malawi confirmed the accuracy of the report and noted that they were still developing their response.

Challenge: No challenge to implementation.

2011 Audit of the Implementation of the SADC Protocol on Trade

SATH launched the 2011 Audit with country visits to Lesotho, Tanzania, Mauritius, Namibia and Botswana. The final Audit was submitted to the SADC Secretariat in June 2011 and addressed the implementation of the SADC tariff phase downs, ROO, NTBs and included a review of the compliance of third party agreements with the SADC Protocol on Trade. The Audit was finalized at the SADC Trade Negotiating Forum in August.

In conjunction with the 2011 Audit, SATH prepared a companion report on the economic impact of the derogation requests by Tanzania and Zimbabwe. The report found that the economic impact of these requests is likely to be small and transient. In the case of Zimbabwe, the derogation applies to the implementation of Category C or "Sensitive

Overall, compliance with the tariff phase downs is high, with the exception of Zimbabwe, Tanzania and Malawi.

The TNF and Senior Officials meeting adopted this recommendation and over the course of FY2012, SATH will work with SADC to develop a series of benchmarks on trade facilitation measures.

Products” phase downs. The share of SADC exports in these goods is small compared to the overall export basket of SADC and thus the effect is likely to be small. Similarly, the Tanzania request for derogation for certain categories of sugar and paper comprise only a small portion of SADC exports in these goods – mainly concentrated in South Africa. However, the share of Tanzania's imports from SADC in these goods is quite high. Additionally, since both derogations are time limited, the effect is likely to be transient.

The Audit recommended that SADC set measurable benchmarks for customs documentation and ease of border crossings in order to work towards measurable goals. The example of the experience of the Association of Southeast Nations (ASEAN) community was used. The TNF and Senior Officials meeting in August 2011 adopted this recommendation.

Challenge: No challenge to implementation.

SADC Customs Union Working Group

SATH participated in SADC Customs Union working group meetings and provided comments/inputs to the development of a Concept Paper. Key outcomes of the meetings were to discuss alternative approaches to regional integration. South Africa proposed to delay further trade integration in favor of a focus on the consolidation of the FTA and the further harmonization of SADC's industrial policies. At the November 2011 CMT meetings, SADC agreed to postpone discussions of the Customs Union until they have completed the process of consolidation of the FTA.

Challenge: Member States continue to struggle with firm proposals for the Customs Union and there does not appear to be strong support for the initiative below the Ministerial level.

Activity 1.1.1.C Assist SADC in rollout of the TMCM

SATH liaised with the SADC Secretariat to develop capacity programs in conjunction with the TMCM and develop a new concept, such as a “scorecard” mechanism similar to that used in the East African Community (EAC) and the Association of Southeast Asian Nations (ASEAN). SATH developed a concept note for this mechanism, and will discuss with SADC in year two.

Challenge: No challenge to implementation.

National NTB Monitoring Committee Workshops – Botswana and Mozambique

In cooperation with Trademark Southern Africa (TMSA) and the SADC Secretariat, SATH participated in workshops in both Botswana and Mozambique to increase awareness of NTBs and encourage their elimination. As part of the establishment of the NMCs in each country, SATH participated in a series of public/private sector workshops to increase

awareness of the system; formally establish the NMCs; and provide training on the implications of NTBs and methods for removal. SATH focused on prioritizing the removal of NTBs through the use of simplified economic analysis.

Challenge: No challenge to implementation.

Activity 1.1.1.D Support the establishment of a Trade Information Network

No activity was undertaken in year one.

Challenge: In 2011, a new project commenced at the SADC Secretariat with the specific objective of looking at all data systems – including trade. SATH will continue to liaise with this initiative as SADC works to develop an effective trade information network.

Activity 1.1.1.E Assess the impact on competitiveness of the SADC ROO

The SADC Secretariat requested SATH to prepare a background document on ROO in Textile and Apparel covering history of negotiations, international experience on ROO in specific sectors, trade flows in SADC relevant to textiles and apparel and recommendations for the “way forward”. SATH presented this document to the Experts Working Group in January 2011 and it was decided that further national consultations needed to be undertaken, and no recommendation was forthcoming.

As a result of the discussions, SATH, at the request of the representatives from Mauritius and Zimbabwe, undertook a study of Textile Capacity in the region. The goal of the study is to better inform the Member States as to the feasibility of sourcing fabric within the region to satisfy the double transformation requirement. Data from South Africa was not provided, but the preliminary results were presented to the SADC ROO Experts Group in May 2011. SATH continues to follow up in order to complete the study.



In May, Member States put forward several proposals which would relax the ROO requirement on Textiles and Apparel. Member States agreed to undertake country consultations on these recommendations before reconvening in late July prior to the TNF. At the final meeting of the TNF in 2011, Member States were further entrenched in their original positions. It was agreed to forward the alternatives to the CMT meeting in late November 2011.

Challenge: South Africa was reluctant to provide information to complete the Textile Capacity study and plans to initiate its own study. Member States – particularly in SACU – are unwilling to take any steps to liberalize ROO in textile and apparel given political considerations in the SACU market.

Sub-IR 1.1.2 Successful Implementation of the Tripartite Summit Agreement

Activity 1.1.2.A Hold public-private workshops on regional harmonization issues

No activity was undertaken in year one.

Challenge: This activity is demand driven as needed. Initially, this activity was planned to assist SADC in coordination of Member States for the Tripartite meetings but was never finalized.

Activity 1.1.2.B Prepare technical papers outlining approaches to harmonization

No activity was undertaken in year one.

Challenge: Involvement in Tripartite activities remains a challenge due to the nature of the process and the difficulty in participating in working group meetings. SATH will likely be involved in year two.

Sub-IR 1.1.3 Increased Capacity of Member States to Engage in Trade Negotiations and Implement Trade Agreements

Food security and trade restrictions

SATH initiated a study on food security and trade restrictions. One of the over-arching goals of SATH is to improve food security through the enhancement of intra-regional trade. However, several countries in the region actively employ restrictive trade measures which prevent the alleviation of food insecurity through trade, and SATH initiated a study on food security and trade restrictions. Most recently, Tanzania has banned the export of food products – particularly maize – in response to growing demand in Kenya in light of poor harvest forecasts. The SATH report will assess the impact of such measures on overall regional food security. In year two, SATH will distribute the report widely so support stakeholders to push for meaningful policy reform in this area.

Challenge: No challenge to implementation.

Botswana Exporters and Manufacturers Association (BEMA) intermediary organizations (IOs) collaboration workshop

At the request of BEMA, SATH participated in a workshop on Intermediary Organizations Collaboration, which identified ways IOs can more effectively assist their members in taking advantage of regional trade agreements. The main outcome of the meeting was a draft action plan for BEMA, and SATH will assist to identify areas of support.

Challenge: No challenge to implementation.

Training on the implementation of the SACU-European Free Trade Association (EFTA) FTA - Botswana Ministry of Agriculture

Following a request from the Botswana Ministry of Agriculture, SATH provided a training/presentation to public officials on the implementation of the SACU-EFTA Free

trade agreement. The training provided an overview of the provisions of the SACU-EFTA FTA as well as the bilateral agricultural agreements, helping clarify the provisions to highlight current developments and expectations on the Ministry of Agriculture. In addition, the presentation prepared the Ministry for a meeting between SACU and EFTA.

Challenge: No challenge to implementation.

Commonwealth Secretariat

At the invitation of the Commonwealth Secretariat, SATH presented on the importance of addressing Non-Tariff Barriers in order to reduce trade costs and increase competitiveness during their Export Competitiveness workshop.

Challenge: No challenge to implementation.

Activity 1.1.3.A Plan series of regional trade negotiations workshops

No activity was undertaken in year one.

Challenge: The planned workshop was postponed to year two.

Activity 1.1.3.B Support the implementation of the US-SACU TIDCA

No activity was undertaken in year one.

Challenge: This is a demand driver activity and no requests were received in FY2011.

Activity 1.1.3.C Support the annual AGOA Forum

Zambia hosted the 2011 African Growth and Opportunity Act (AGOA) Forum, and members of the SATH team led the organizing of the private sector/civil society session, served as panelists in the private sector/civil society and ministerial sessions, and assisted with drafting the private sector communiqué for the AGOA Forum. SATH also served as panelists in the African Women's Entrepreneurship Program (AWEP) training focused on US import requirements, access to finance, and advocacy. SATH supported the participation of some of these leading women entrepreneurs from the SADC region at the international trade exhibition and Zambia pavilion at the AGOA Forum.



Challenge: No challenge to implementation.

Activity 1.1.3.D Support to women engaged in informal cross border trade

SADC Gender Unit

SATH met with the SADC Gender Unit and the Regional Office of UN Women to identify areas of collaboration, which included a focus on women engaged in Informal Cross Border Trade (ICBT).

Challenge: No challenge to implementation.

Activity 1.1.3.E Export competitiveness studies

Reform of business regulatory environment – Botswana

Technical assistance in the development of policy documents targeted at reform in the Business Regulatory Environment in Botswana was requested from the National Strategy Office in Botswana.

SATH completed a report on “Proposals for Business-friendly Immigration Reform in Botswana” which reviews policy towards economic migration in Botswana with a focus on the movement of skilled manpower, investors and others who can make a positive economic contribution to the country.

In response to the recommendations made by SATH for business-friendly regulatory reforms, Botswana has amended its Trade Act to reduce requirements for licensing and launched discussions on a number of other amendments.

SATH also completed a report on “Trade Licensing and Reform of the Trade Act” and “Doing Business 2011: How Botswana can improve the business environment as measured by Doing Business rankings”. As a result of these reports, Botswana has initiated a number of far-reaching reforms in the Trade Amendment Act, most notably, giving more power to the Minister to make business-friendly amendments by moving several definitions and categorizations of businesses from the Act into a set of regulations.

Challenge: No challenge to implementation.

Tanzania training on trade issues



At the request of the Ministry of Industry and Trade in Tanzania, SATH trained public and private sector stakeholders on key trade issues, including AGOA, NTBs and ROO, to enhance understanding and to increase the dialogue between the public and private sector, particularly on NTBs. The Ministry of Trade and Industry expressed an interest in SATH support to follow up on the issues raised.

Challenge: No challenge to implementation.

Diagnostic Trade Integration Study (DTIS), Lesotho

At the request of the Lesotho Ministry of Trade, Industry, Cooperatives and Marketing, and in coordination with the Enhanced Integrated Framework Coordinator, UNOPS and the US Embassy, SATH began to update the Diagnostic Trade Integration Study. The update evaluates internal and external constraints to a country's integration into the work economy, and recommends areas where technical assistance and policy actions can help the country overcome these barriers, and will be finalized in year two.

Challenge: No challenge to implementation.

SACU conference

At the request of the Southern African Customs Union (SACU) Secretariat, SATH presented on changes in the Global Business Cycle and the Revenue Sharing Arrangement. The presentation observed that emphasis on the revenue sharing arrangement has come at a high price: taking away focus from the wider regional development and trade facilitation issues such as non-tariff barriers and industrial development. Due to the volatile nature of revenue from trade taxes, there is a need to focus on the key factors contributing to the economic performance of Member States.

Challenge: No challenge to implementation.

Private sector involvement strategy workshop

The SADC Secretariat invited SATH to participate in a regional workshop on private sector involvement in regional integration. Discussions centered on the role of the private sector in the implementation of the SADC FTA and the proposed COMESA-SADC-EAC FTA.

Challenge: No challenge to implementation.

TRALAC regional integration conference

SATH participated in the annual Trade Law Centre of Southern Africa (TRALAC) conference on a "Review of Regional Integration Agenda in Southern Africa".

SATH presented on the regional integration trajectory within SACU which discussed issues pertaining to the challenges faced by SACU, the new

vision adopted by the Heads of States in 2010, a discussion of the five priority areas in SACU's work program and issues relating to deepening regional integration in SACU.

Challenge: No challenge to implementation.



Integration with Value Chains

Across all areas of expertise in Objective 1, SATH works closely with Objective 2 to address regional integration issues along the selected value chains.

Value Chain Activity 1: Assessment and policy briefs to address regulatory and policy constraints along the value chains.

No activity was undertaken in year one. As further implementation progresses on the value chains, teams from both objectives will work closely on addressing policy and regulatory constraints.

Value Chain Activity 2: Analysis of NTBs along specific value chains

SATH launched a region wide NTB Study along the main transport corridors to identify the *priority* constraints for *priority* agricultural products and to identify stakeholder groups with whom to work towards the removal of constraints. The pilot study was launched on the Dar es Salaam Corridor and the inputs from this study were incorporated into the broader Integrated Border Management program.

Challenge: No challenge to implementation.

IR 1.2: IMPROVED TRADE FACILITATION IN TRANSIT, CUSTOMS AND OTHER AREAS

Sub-IR 1.2.1 Improved Performance of Trade Corridors and Transit Systems

Activity 1.2.1.A Regional transport, customs and logistics services needs assessment

SATH completed the regional assessment, which identified transport infrastructure constraints, restrictive provisions in regulation of transport, delays in the clearance of cargo and customs facilitation procedures as major factors contributing to the high cost of transport. The assessment identified priority activities and interventions for improved efficiency of transport corridor, transit systems, and customs targeted at increasing



international competitiveness and efficient movement of staple foods and other crops to local and regional markets.

Challenge: Based on results of the assessment, SATH reevaluated interventions in Sub IR 1.2.1 and 1.2.2 to address the priority areas noted.

Activity 1.2.1.B Development of Corridor Management Institutions (CMIs)

SATH participated in Ministerial Cluster Corridor meetings which adopted an Action Plan for the institutional development of the TKC, TCC and Walvis Bay Ndola Lubumbashi corridors and SATH shared best practices on corridor management institutional development. SATH is ready to respond to requests for support in implementing the Action Plan; no requests were made in year one.

Challenge: The activity is demand driven based on needs of each Corridor.

The Walvis Bay Ndola Lubumbashi corridor is waiting buy-in from Angola and it was decided that the African Development Bank will take the lead in implementation. SATH support to this corridor is on hold until the tasks of the AfDB are finalized.

The Maputo Corridor has a new CEO, who is amenable to the Action Plan. This leadership change delayed activities in year one, but SATH will work with the MCLI in year two on the Action Plan.

Activity 1.2.1.C Sustainable funding of CMIs

SATH supports the sustainable funding of CMIs through the User Pay Principle (UPP) in order to effectively focus on implementation to remove NTBs in the corridor and reduce the cost of doing business. As the majority of TKC traffic does not start or end at the Walvis Bay port, the TKCMC recommended collection of UPP fees should be done at the TKC borders at a rate of R50 per truck crossing the border – this would cover 40% of the TKC Secretariat budget. However, more information on this analysis was required by the TKCMC before implementation of the UPP along the TKC, to be finalized in year two.

On the DCC where UPP was expected to commence in 2010 by all countries, only Tanzania is implementing. Malawi was ready to implement the UPP but Zambia needs Cabinet approval to enable implementation.

Challenge: Implementation of the UPP is hampered by public resistance in all SADC countries to increase or raise any new charges on trade, even when an overall reduction in the cost of doing business in the region is presented. Trade facilitation in the SADC region has moved to the authority of the Ministries of Trade, and not Transport. This change in authority creates challenges as the Ministries must work together on various activities.

The activity is demand driven and full implementation of the DCC UPP in Zambia, Malawi and DRC is awaiting Governmental approval and signing of a Government MOU. Despite efforts for Zambia to sign the UPP Agreement, the Ministry of Commerce, Industry and Trade is not convinced the UPP will not contribute to increasing the cost of doing business in Zambia.

The TKC is also awaiting TKC Members States approval for implementation, however, it is clear that one TKC country (South Africa) is having problems implementing the UPP toll fees.

Activity 1.2.1.D Development and Implementation of Corridor Performance Monitoring Systems (CPMS)

SATH reviewed the TKC CPMS Performance Report and found that although it provided useful information on volumes and types of commodities/goods through the corridor, its assessment of the critical indicator of transit time through the corridor was inaccurate. SATH informed the TKC Executive Director and Task Team what is required to fully implement the CPMS along the TKC, and stakeholders agreed to submit CPMS information to the TKC Secretariat in year two to enable the Secretariat.

The DCC corridor is not implementing the CPMS effectively. The irregular manual submission of information (information should be submitted monthly but this not happening) and lack of consistency in submitting the information in agreed format has made it impossible for the Corridor Secretariat to prepare accurate reports.

The solution identified to both challenges is to automate the process. The Tanzania Revenue Authority (TRA) developed a program that automatically prepares a report on information required for the CPMS from the ASYCUDA and automatically sends this report to the DCC Secretariat – thus automating the CPMS for DCC. As a result of this, SATH assisted TRA transfer the automated system to Malawi Revenue Authority (MRA) and Zambia Revenue Authority (ZRA). ZRA was successful, but installation at MRA is ongoing.

Challenge: The main challenge to full implementation of the CPMS is non-submission of information on a regular basis in the format agreed to by key organizations holding CPMS information, including Customs Administrations, Ports and Truckers. As there is no direct benefit to these organizations, there is little motivation to comply. The automatic collection and submission of CPMS information is key to the success of this activity. In year two, it may be necessary to automate the analysis of the information submitted to augment the Corridor Secretariats capacity.

Full institution and use of the automated system is also pending at MRA.

The development and installation of a program that automatically prepares a report on the information required for the CPMS by TRA is a significant step towards the automation of the CPMS

Activity 1.2.1.E Capacity building of countries and CMIs for reduction of transport costs

SATH led in the recruitment of a new TKC Executive Director which was completed within four months. With the new Director in place, the TKCMC launched the TKC Client Service Charter developed with technical assistance from SATH, aimed to improve the quality of service to clients along the Corridor, the first in the SADC region.

As part of the SATH grants program and in support of CMI sustainability, the DCC was awarded a SATH small grant to leverage up to \$5m of World Bank funds over five years. The World Bank funds, once distributed, will enable the DCC to hire additional staff and respond to identified needs along the corridor in a self-sustainable capacity.

Challenge: In year one, SATH learned that CMLs neglect to review and implement agreed Action Plans, thus limited progress on implementation, capacity building and sustainability. SATH redesigned their approach to identify specific activities with results (i.e. IBM, Railways, Ports, e-Certificate, AEO/Risk Management or Cloud Computing pilots), and further support to CMLs must enhance achievement of these activities and results.

Activity 1.2.1.F US-SADC Memorandum of Understanding (MOU) activities

At SADC's request, SATH participated in a Road Safety Decade of Action workshop which agreed to promote road safety and Member States launched their Decade of Action Programs and implemented recommendations from the workshop.

Challenge: The regional launch of the SADC Decade of Action Programs on Road was completed at the SADC Ministers of Transport Meeting in October. With limited human resources and an extensive work program, SATH supports the objectives of the program but cannot remain actively engaged in the task.

Activity 1.2.1.G Sharing of best trade facilitation practices and building synergies with other institutions

No activity was undertaken in year one.

Challenge: In year one, SATH designed, developed and implemented new activities and the sharing of best practices from these activities will commence in subsequent years.

Activity 1.2.1.H Competitiveness study of transport sector

The objective of this study was to examine the determinant of high trading costs in the SADC transport sector and in particular to determine in part the degree of competitiveness in the sector. The study concluded the low level of competition within the transport industry restrict market entry to the sector and permit transport companies to charge high mark ups. This finding is important as it indicates that further improvements in infrastructure quality and other trade facilitation measures are unlikely to lead to lowering transport prices for the consumers unless liberalization of the transport services market will take place. Currently, the draft document awaits finalization of the data and will be disseminated in year two.

Challenge: The data used in the study is proprietary and we are awaiting formal publication of the data prior to finalizing and disseminating the report.

Activity 1.2.1.I WTO Trade Facilitation National Self Assessment (TFNSA) follow-up activities

No activity was undertaken in year one as no request was received.

Challenge: The activity is demand driven by countries requesting support from Trade Hub supported TFNSA.

Sub-IR 1.2.2 Streamlined Customs Procedures

Activity 1.2.2.A Capacity building and modernization

Regional trade facilitation tools



SATH and the TKC countries introduced new regional trade facilitation tools – Risk Management and Accreditation / Authorized Economic Operators (AEOs) – to merge the existing national tools into regional tools. Draft policy and legal frameworks as well as an action plan for pilot implementation were adopted and presented to TKC Heads of Customs for approval.

Challenge: The tools are pending approval from the TKC Heads of Customs before implementation.

Establishment of One-Stop Border Post (OSBP) facility

SATH participated in the Bilateral Meeting on OSBP between Namibia and Botswana to work out the modalities and methodologies of implementation and agree on a road map. The meeting agreed on the OSBP management structure and the broad Bilateral Agreement, which is under review internally in each country.

Challenge: Implementation of OSBP is awaiting further internal consultations on the proposed Bilateral Agreement to be agreed to and signed by the two Governments, as well as the legal provisions which must be approved by Parliament in both countries. JICA has also appointed an Expert to assist Botswana and Namibia in the implementation of the OSBP.

Activity 1.2.2.B Information and communications technology

Following the decision to pilot the Microsoft Cloud Computing on Customs Connectivity and Single Window along the Trans Kalahari Corridor, work progressed this year to develop an implementation strategy, including requirements, project scope, focus areas and high level solution approach. SATH and Microsoft, together with Botswana and Namibia Customs authorities, agreed to an implementation roadmap which commenced this year. The pilot is scheduled to go “live” in year two.

Challenge: The South Africa Revenue Service (SARS) is implementing a new TATIS system separately, with a view to integrate with the Cloud Computing Project after the pilot stage. The Southern African Customs Union (SACU) will develop a SACU IT Connectivity project, as currently SACU has no Customs Connectivity Program. This project is expected to integrate with the Cloud Computing Project.

Activity 1.2.2.C Training of Customs Officials and the Private sector

No activity was undertaken in year one.

Challenge: The activity is demand driven by Member States.

Activity 1.2.2.D Assist SADC Customs to close gaps which affect trade

Working with SADC, SATH supported e-Certificate of origin training workshops in Lusaka and Gaborone, for SADC Member States. The workshops were preparatory to adoption and implementation of the e-Certificate of origin, which authorizes preferential rates of duty on imported merchandise. By moving away from a manual process, the electronic process is an effective and efficient instrument for trade facilitation which will reduce costs and dwell time and at the same time promote transparency and e-filing.

Challenge: Pilot implementation of the e-Certificate of Origin will be carried out in year two pending approval from the SADC Sub Committee on Customs Cooperation (Heads of Customs Administrations).

Activity 1.2.2.E Assist SADC Customs Unit to revise and re-print Customs Instruments

At the request of the SADC Secretariat, SATH completed an Audit of the Customs Instruments of Member States to assess the status of implementing various regional and international customs instruments.

Challenge: The Audit Report will be finalized and handed over to SADC Secretariat in year two after the draft is reviewed and approved by the SADC Sub Committee on Customs Cooperation (Heads of Customs Administration).

Activity 1.2.2.F Support establishment and launching of SADC National Customs Business Forum

No activity was undertaken in year one.

Challenge: The activity is demand driven by Member States.

Activity 1.2.2.G Integration with value chain activities

No activity was undertaken in year one.

Challenge: No challenge to implementation.

Activity: 1.2.2.H WCO Time Release Studies follow-up activities

No activity was undertaken in year one.

Challenge: The activity is demand driven by Member States.

Activity: 1.2.2.I Integrated Border Management (IBM)

This activity evolved into a major component of the SATH trade facilitation program in year one as it directly aims to reduce the time and cost of goods crossing borders in the SADC region which are mandatory indicators for SATH trade facilitation work. SATH successfully conducted Border Operations Assessments, established at Songwe (Malawi/Tanzania), Mwanza (Malawi/Mozambique) and Nakonde (Zambia/Tanzania) on the Dar Corridor and the “Feed the Future” countries of Mozambique, Malawi, Zambia and Tanzania.

Sensitization consultations to ensure the buy-in of the IBM were undertaken in Malawi and Zambia. SATH presented the findings of these studies at national and border workshops in Malawi, established JBCs with Action Plans developed on the basis of the BOAs, and the JBCs at Mwanza and Songwe began implementing their Action Plans.

Challenge: The design of activities, assigning responsibilities, timeframe and resources required for IBM Action Plans in Mwanza and Songwe, and the establishment of Zambian JBCs and Action Plans in Kasumbalesa and Nakonde will be established in year two. Additional resources are required to coordinate implementation of these Action Plans will be required.

All these workshops were very successful in that there was buy-in and commitment by Malawi stakeholders to implement the IBM program in Malawi.

Sub-IR 1.2.3 Increased Investment through Improved Policies and Promotion Efforts

Activity 1.2.3.A Improvements to the legal and regulatory framework

No activity was undertaken in year one.

Challenge: Activities for year two will follow from the investment policy work in Swaziland, Namibia, Lesotho and Botswana.

Activity 1.2.3.B Investor Roadmaps

Lesotho Investor Roadmap

At the request of the Ministry of Trade, Industry, Cooperatives and Marketing (MTICM) and the Lesotho National Development Corporation (LNDC), SATH initiated an Investor Roadmap for Lesotho. Stakeholder workshops were held throughout the year to collect information with a view to improve the investment climate.

Challenge: A validation workshop will be held in year two which is expected to reach agreement on an implementation plan.

Swaziland Investor Roadmap

Swaziland's implementation of the Investor Roadmap has been very slow. At the request of the Swaziland Investment Promotion Agency (SIPA), SATH reviewed progress and scheduled a stakeholder workshop in year two.

Challenge: No challenge to implementation.

Namibia Investor Roadmap

Based on 2010 Audit findings, SATH requested an update on the implementation status of Roadmap recommendations.

Challenge: SATH is awaiting confirmation from Namibia on progress towards implementation and what further assistance may be needed.

Botswana Business Ethics Conference

At the request of the Botswana's Directorate on Corruption and Economic Crime (DCEC) and in collaboration with the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), SATH supported the launch and roll-out of a Business Code of Ethics for the private sector. Thirteen companies signed the code at the event, demonstrating commitment to business ethics, and further strengthening foreign investor confidence in Botswana.



Challenge: Not all private sector businesses agreed to sign the Code of Ethics which will foster an improved investment climate for Botswana.

Sub-IR 1.2.4 Greater Trade in Services through Improved Policies

Activity 1.2.4.A Technical Assistance to SADC Regulators

Service sector selection

Based on consultations with SADC and related donor projects, SATH selected a focus on road freight transport services for FY2011, which links to both Trade Facilitation and value chain activities.

Challenge: No challenge to implementation.

Transport Diagnostic Report



SATH completed a Diagnostic Report on Trade in Road Freight Transport Services which aims to raise the involvement of private and public sector stakeholders in SADC services negotiations, and to identify ways SATH can assist in promoting appropriate reforms. Based on the issues identified, SATH will assist the private sector in documenting its interests while enhancing the capacity of transport regulators to evaluate the economic costs and benefits of

existing rules and potential change.

Challenge: No challenge to implementation.

Workshop on Trade in Road Freight Services

SADC stakeholders clearly articulated the ways in which SATH could meaningfully partner with them to deliver specific technical assistance projects for the road freight transport services sector.

To disseminate results of the Diagnostic Report, SATH held a workshop for private sector road transport operators, representatives from the Ministries of Transport, agencies which regulate road freight transport and the Ministries of Trade from Botswana, Malawi, Mozambique, Namibia, South Africa, Tanzania and Zambia. The results of the workshop created linkages between the trade and transport communities, shared knowledge on trade in road freight transport services, and defined SATH's year two work plan activities. Following on from the workshop, SATH has received a number of requests for follow on work including the facilitation of private sector consultations and the development of a Regulatory Impact Assessment on road transport legislation for Namibia.

Challenge: No challenge to implementation.

Activity 1.2.4.B Support to the private sector

Activities for the private sector were carried out in conjunction with assistance to SADC Regulators and achievements are noted above.

Challenge: No challenge to implementation.

Activity 1.2.4.C Regulatory Impact Assessments

SATH completed a report on the use of and approaches to RIAs in the SADC region, which summarizes the fundamentals of RIA analysis, structure content and incorporation into the policy process to better understand and evaluate the costs and benefits of new regulations or service liberalization. The report reveals a diversity of approaches to integrating RIAs into the policy/regulatory process and, within SADC, only South Africa has limited experimentation with formal RIAs. The report will be used to launch RIAs in year two including an assessment of Namibia's road transport legislation.

Challenge: No challenge to implementation.

Tanzania Impact Assessment

SATH initiated a study on the Impact of the Tanzania Revenue Authority's (TRA) revision of its regime on Tanzanian registered vehicles transiting goods to determine who benefitted from the change and who was disadvantaged. The results of the study will be finalized in year two.

Challenge: No challenge to implementation.

Training on regulatory impact analysis for the South Africa Department of Treasury

SATH trained Treasury economists on regulatory impact analysis which introduced concepts and tools of cost-benefit analysis, with special reference and application to recent policy issues in South Africa; and introduced analysis tools for policies related to regional and international trade and industrial development, with specific reference to recent and current issues faced in National Treasury and in the broader context of discussions of South Africa's "New Growth Path."

Challenge: No challenge to implementation.

IR 1.3: ALIGNMENT OF REGIONAL AGRICULTURAL AND OTHER STANDARDS WITH INTERNATIONAL STANDARDS

Activity 1.3.A: Deliver technical assistance and training on standards issues

No activity was undertaken in year one.

Challenge: The activity is demand driven by Member States.

Activity 1.3.B: Strengthen Members States' capacity to comply with SPS requirements

SATH consulted with the USDA, SACAU and Afgri to identify possible areas of SATH support, which included SPS.

Challenge: No challenge to implementation.

Activity 1.3.C: Support SADC in the establishment of the SPS Coordinating Committee

At the request of the SADC Secretariat, SATH assisted to develop an implementation roadmap for the new SPS coordinating committee and technical note on regional approaches to SPS issues and the SADC SPS Annex. SATH supported the SADC SPS Coordinating Committee inaugural meeting which discussed best practices in regional approaches to SPS issues and reviewed consistency of the SPS Annex with the requirements of the WTO SPS Annex.

Challenge: The SPS Committee is new and will require SATH support to implement activities in outer years.

IR 1.4: STRENGTHENED REGIONAL CAPACITY FOR ENERGY SECTOR PLANNING AND COOPERATION

Activity 1.4.A: Facilitate the Strengthening of Regional Renewable Energy Planning Capacities in SADC Member States

SATH conducted an assessment of renewable energy planning capacities in Botswana, Namibia and Mauritius, focusing on solar, wind, bioenergy and small hydro sources. Results noted that renewable energy is in its infancy and capacity development is urgently needed at various levels including decision making, policy formulation, planning and implementation. SATH interventions in year two will incorporate outcomes from the assessment.



Challenge: Lack of capacity and lack of regulatory clarity with regard renewable energy issues is as an obstacle to private sector investment and public sector implementation of renewable energy technologies.

Activity 1.4.B: Training of Regulatory Practitioners

In collaboration with RERA and based on demand, SATH planned a regulatory practitioners' workshop aimed to enhance regulatory capacity in general and to build new capacity for renewable energy regulation.

Challenge: Difficulties in scheduling with stakeholders delayed this workshop until year two.

Training on Clean Energy Regulation

Based on demand, SATH developed training modules on clean energy regulation and will launch the training online in year two.

Challenge: Initially planned as an activity with SADC, challenges involved in working with Zimbabwe delayed the on-site training activity.

Activity 1.4.C: Ad-hoc support for new Regulators

Botswana

SATH met with the Botswana Department of Energy Affairs at their request for assistance with the sensitization and awareness workshops for various key stakeholders including Members of Parliament, technical departments, producer and consumer groups in advance of the establishment of the Energy Regulator in Botswana.

Challenge: Implementation is awaiting the presentation of a Memorandum to Cabinet by the Ministry of Minerals, Energy and Water Resources, which will signal approval of the public process to establish the formation of the Energy Regulatory Agency.

Activity 1.4.D Development of best practice or guideline manuals on the role of regulators in promoting clean energy and climate change initiatives

SATH drafted a manual to assist regulatory agencies at the policy level of Energy Regulatory Agencies on best practices for renewable energy. The manual will be finalized in year two.

Challenge: No challenge to implementation.

Activity 1.4.E Annual Publication on SADC Electricity Tariffs and Selected Performance Indicators

SATH completed the RERA publication on Electricity Tariffs & Selected Performance Indicators for the SADC Region 2010 which highlights the importance of renewable energy in the region by ensuring renewables were reflected for the first time in the publication.

Challenge: No challenge to implementation.

Activity 1.4.F Energy Audit

No activity was undertaken in year one.

Challenge: This activity is incorporated into Objective 2.

Other Activities

In response to South Africa's plan to establish an Independent System and Market Operator (ISMO) as a national public entity in the electricity supply industry, SATH participate in a conference to discuss the implications for energy regulation as promoted by RERA and the Southern Africa electricity industry as promoted by the Southern African Power Pool (SAPP). ISMO, when implemented, will be the first such structure in the region and will impact the regional relationships in the electricity industry.

OBJECTIVE 2: INCREASED TRADE CAPACITY OF REGIONAL VALUE CHAINS

The SATH regional value chain approach to increased trade capacity focused on private sector industries and industry associations/chambers, particularly at the regional level, although work was closely coordinated with the key regional and bilateral government agencies and entities responsible for trade and investment promotion (such as the SADC Food, Agriculture, and Natural Resources, the Zambian Development Agency, or the Malawi Export Promotion Council). Although focusing on regional issues, SATH also liaised closely with bilateral USAID Missions and other programs in each country to help improve and increase value chain competitiveness.

Working within the context of the existing policy environment, activities under Objective 2 focused on sustainable, market oriented solutions to enhance the competitiveness of regional value chains. Taking a regional view to each value chain highlights the assets in each country (raw materials, technologies, services) and linking them strategically to the rest of SADC.

Objective 2 focused on the key constraints/opportunities for sustainable trade expansion, as described and measured by the following four IRs:

- IR 2.1: New Trade Linkages Established and Greater Competitiveness achieved in Staple Foods and Other Strategic Value Chains
- IR 2.2: Enhanced Private Sector Capacity to Comply with Regional and International Market Standards, Including Agricultural Standards
- IR 2.3: Increased Use and Availability of Financial Products and Services for Trade and Investment
- IR 2.4: Increased Use and Availability of Trade-Related ICT Products

Objective 2 activities focused on high-priority countries driven by the value chains chosen: Malawi, Zambia, South Africa, Mozambique, Zimbabwe¹, Botswana, Lesotho, Swaziland and Namibia.

IR 2.1: New Trade Linkages Established and Greater Competitiveness achieved in Staple Foods and Other Strategic Value Chains

Activity 2.1.A Selection of Three Strategic Value Chains including Staple Foods

SATH selected three strategic value chains:

1. Cereals, with a focus on maize
2. Legumes, with a focus on soybeans and groundnuts
3. Cotton/Textile/Apparel

These three value chains were selected after being ranked the highest overall against three main criteria:

¹ In Zimbabwe, SATH works closely with the USAID mission, and focuses exclusively on private sector partnerships.

- potential for achieving competitiveness;
- development impact, especially against Feed the Future (FtF) indicators; and
- presence of stakeholders with the capacity and commitment to implement the value chain activities.

Challenge: No challenge to implementation.

Activity 2.1.B Confirmation and refinement of selected Specialty Foods items as the fourth “Target of Opportunity” Value Chain, targeted at the US market

After careful analysis of the results in the specialty food sector in Southern Africa from the year one work plan and earlier initiatives, and consultations with WATH and COMPETE on their respective experiences, SATH determined the general approach towards specialty foods, a legacy of the previous Trade Hub, was not the best way to achieve sustainable impact.

Instead, SATH focused on specialty foods activities for honey, baobab pulp and cashew value chains.

The selection process for these areas used the same three criteria as for the strategic value chains noted above, and also considered the potential for a significant increase in trade with the US.

Challenge: No challenge to implementation.

Activity 2.1.C Analyze selected Value Chains, identify key opportunities and constraints, identify key potential partners, and develop policy issues paper

SATH completed an assessment of the identified sectors to review a wide array of commodity value chains with the potential to not only increase sectoral/economic growth, engage smallholders, and enhance food security but also to identify those value chains with the promise to advance intra-regional trade across the SADC region. The assessment relied on discussions and interviews with key institutions, ministries, private sector representatives and other key actors as well as non-governmental organizations active in the sectors.



Challenge: No challenge to implementation.

Activity 2.1.C.1: Conduct in-depth review of the three selected priority regional value chains and specialty foods value chain.

SATH undertook detailed analysis of previous national and regional value chain studies, and prepared value chain reports. In all cases, an independent specialist with extensive regional experience reviewed and supplemented the reports. These reports will be finalized in year two.

Challenge: The reports were deliberately delayed in order to allow for the incorporation of the results of other ongoing value chain studies at the regional and national levels. Time constraints due to other activities as well as limited report writing skills further contributed to the delay.

Activity 2.1.C.2 Work with established institutions that will serve as regional and national-level value chain partners:

SATH reached out to regional and US institutions, companies and organizations along the value chains to enhance competitiveness and trade linkages, and established working relationships and MOUs with the following:

- **World Initiative for Soy in Human Health (WISHH)**, part of the American Soy Association (ASA): jointly developed a program focusing on human nutrition and animal feed. In year two, a grant will be negotiated with WISHH to support technology transfer, firm level assistance, and training activities in the soybean value chain.
- **Twin Trading:** A significant procurer of groundnuts in Zambia, Malawi and Mozambique, SATH and Twin jointly initiated an analysis of aflatoxin mitigation members on a value chain basis. Initial findings showed that jute bag storage, UV sorting, and improved shelling are simple, cost effective ways to achieve aflatoxin compliance. SATH and Twin Trade also worked towards a public private partnership to introduce measures to reduce aflatoxin in the groundnut supply chain, which will be implemented in year two with the finalized report.
- **Agriculture Business Chamber (ABC):** An MOU was signed to jointly identify and implement activities of mutual interest to facilitate agricultural trade and investment partnerships from South Africa to the rest of SADC. SATH and ABC, comprising larger South African agricultural corporations, agreed that the key activity for year two will be a major maize trade and investment workshop in 2012 that will address policy, institutional, technological, transport, and financial constraints. At the workshop, SATH will present the highlights of the maize value chain analysis, the grain storage and animal feed manufacturing databases, etc.
- **South African Grain Laboratory (SAGL):** With SATH support, SAGL began the analysis of the aflatoxin testing service industry in Malawi and Zambia in year one, with results to be finalized in year two. SATH will work with SAGL to provide laboratory services to the region to better meet market and safety standards in year two based on recommendations from the report.



- **African Seed Traders Association (AFSTA)/South African National Seed Organization (SANSOR):** SATH and AFSTA/SANSOR planned the parameters of a program to enhance the availability of improved hybrid and GM varieties of seed, to be implemented in year two.
- **South African Oilseed Board:** SATH discussed extending service provision for groundnuts and soybean into the southern African region, and explored a regional groundnut association (as with SACAU) to address industry specific issues such as aflatoxin mitigation processes. Activities will be finalized in year two.
- **Cotton SA:** SATH began the development of a plan to assist Cotton SA to position itself as a regional service provider to organizations in southern Africa's cotton growing industries. This will include support for the introduction of GM cotton as well as grading and quality control issues, to support the southern African office of ACTIF, and to support SACPA and its member associations.
- **African Cotton and Textile Industries Federation (ACTIF):** SATH discussed the possibilities of collaboration and a possible grant covering the following: 1) develop standards (production, social, environmental, financial) that sub-Saharan Africa



textile and apparel firms should comply with in order for them to have exclusive access to U.S. buyers at selected buyer-seller meetings; 2) develop country profiles for prospective investors in the value chain; and, 3) establishment of a Southern African office to better serve southern Africa members. This collaboration, in the form of a MOU and/or grant, pending further due diligence from ACTIF, will continue in year two.

- **Textile Industry Export Council (SATIEC) and the SA Textile Federation (TEXFED):** SATH discussed establishing a regional cluster organization in the work wear and hospitality (soft goods/furnishing and uniforms) areas. SATIEC and TEXFED ultimately chose not to pursue expansion of the work wear cluster in the region, and the initiative was dropped.

- **Grain Silo Industry (GSI):** SATH and GSI agreed to provide warehouse management training in the region. The training will help reduce grain storage losses, provide an incentive for new warehouse investment in the region, as well the accreditation of warehouses to issue warehouse deposit receipts, and will begin in year two.



- **Southern Africa Fine Food Association (SAFFA)/Western Cape Fine Food Initiative:** In discussions on a program to support regional specialty foods companies, SATH concluded that this organization needs to consolidate its membership and activity program first in the Western Cape, and then in South Africa, before regional activities can be

considered. SATH focused its specialty foods work on honey, cashews, and baobab, and partnerships with more commodity focused organizations is needed. No further work with SAFFA/WCFFI is planned.

- **Corporate Council on Africa/Agribusiness Working Group:** Membership of CCA comprises most of the American companies doing business in Southern Africa. SATH has discussed a formal relationship with the CCA agribusiness working group, broadening the scope of the agribusiness working group to include B2B activities establishing new trade linkages.

Challenge: The primary challenge in this activity is the time required to identify the right organization to work with, find the best way to establish the relationship, and to build trust and confidence in the organization to agree to work with SATH.

For some of the South African organizations, it takes additional time to help them prepare to work outside of the South African context, to adapt to conditions in the rest of the SADC region.

Activity 2.1.C.3 Develop Value Chain Specific Policy Briefing Papers.

SATH was invited to participate or present at a number of formal and informal conferences and workshops in the region and internationally, and in many instances policy issues are addressed. However, no formal policy briefing papers were produced during the year.

As SATH develops implementation programs with partners in year two, policy papers will be part of the activities in coordination with Objective 1. An example of this is the GMO advocacy program being developed with SACAU.

Challenge: The activity is demand driven and no requests were received.

Activity 2.1.D Develop and implement Programs to sustainably increase Trade Linkages and Competiveness of Regional Value Chains

Activity 2.1.D.1: Build capacity for more effective participation in regional and international trade shows.

SATH focused activities on building private service capacity in three areas:

- To promote effective regional participation in the NAMPO Harvest Day agricultural trade show in Bothaville, South Africa
- To maximize impact of private sector participation at the Summer Fancy Food Show (FFS) in Washington, DC
- To promote greater intra-regional and international trade and investment links in the garment and textile sector, initially through a SATH-sponsored B2B event in Cape Town, South Africa.

NAMPO: SATH contracted with four local service providers (LSPs) in Malawi, Zambia, Mozambique and South Africa to facilitate and train 52 regional participants as a sustainable commercial business line. In preparation, SATH provided a thorough briefing on the NAMPO show in particular, and how to prepare businesses for the most effective participation at the show. All four LSPs with whom SATH worked indicated they valued the

training, and that they were actively exploring how to offer a NAMPO participation package as a commercial service offering in future years.

FFS: SATH assisted South Africa's Department of Trade and Industry (DTI) to coordinate regional participation from 15 companies at the Africa Pavilion of the FFS. Through dialogue with SATH, DTI - for the first time - provided direct support to the Africa Pavilion, and this support together with SATH maximized impact and facilitated coordinated regional participation. SATH also sponsored industry visits and workshops in the DC area that enhanced the impact of participation at the FFS.

Garment and Textile B2B: SATH contracted with MPCS to organize, manage, and undertake follow-up activities for the SATH 2011 Garment and Textile B2B held in Cape Town in June.

As MPCS was not interested in running the B2B on a commercial basis, SATH met with other South African service providers that may be interested in organizing future B2B events as a self-sustaining business opportunity. LTE Africa emerged as the top organization as 1) they are currently running the largest annual textile and garment trade show in southern Africa, and

"I would like to explore the opportunity to source garments closer to home - The regional opportunity looks and sounds very promising! Please give me some feed-back as to how you would see a collaboration between [us] and your Trade Hub"

Sourcing Manager of a major South African clothing retailer



2) they are interested in incorporating the B2B as an integral part of a sub-Saharan Textile and Garment Trade Show, which they would brand as "Source Africa". In year two, SATH will work with LTE Africa to assist with marketing to US and European buyers, and to market the event to suppliers in the Southern African region, and through ACTIF, COMPETE, and WATH, to market the event to other sub-Saharan suppliers.

Challenge: Implementation of these activities only began in calendar year 2011, and there was insufficient time to prepare.

It proved difficult to identify local service providers (LSPs) in the region that are able to deliver high-quality services in this area. Most LSPs that were qualified had expectations for compensation that were not realistic, and they had enough alternative sources of business so that they were not interested in offering their services on an entrepreneurial basis (i.e., compensated by the beneficiary not SATH).

Activity 2.1.D.1.a: Facilitate participation of regional value chain members and BSPs in two strategic regional trade shows:

- **NAMPO:** Working with four local LSPs, SATH facilitated the participation of 52 regional companies at the NAMPO Harvest Day agricultural trade show. Initial figures show trade deals of up to \$29 million were initiated by the SATH-sponsored firms. In partnership with the US Department of Commerce, SATH provided a pre-show briefing to the regional and international participants.

SATH also analyzed other regional trade shows for possible participation, including the SAITEX/AB7 in Johannesburg, which is a major regional trade show. However SATH determined that the show's focus was too general and would have limited impact for value chain members. In Year 2, therefore, SATH will focus its resources on a greatly expanded regional participation at NAMPO, including Angola, DRC, and possibly Tanzania, and to improve the role of national agricultural shows to reach a wider regional and international audience.



- **Mozambique Buyer/Seller Mission:** SATH decided that the most efficient way to promote interaction of regional value chain members outside the NAMPO show is to develop its own focused, buyer/seller events. SATH organized and led a buyer/seller mission to Mozambique for the legume sector and seed trade. Southern African-based seed, common bean and groundnut traders were linked to producers, traders and research institutions in the Northern Mozambique. This SATH pilot mission linked producers to procuring entities and provided an opportunity to access new technology in the form of seed, agricultural practices and equipment to increase productivity, improve quality, and adherence to international standards. The pilot mission generated increased volumes of trade and technology transfer. For example, certified seed imports from Zimbabwe, the initiation of contract growing of seed and groundnuts for a South African company, and the identification and pre-feasibility for renovation of a groundnut processing plant in Beira by a SA groundnut company were results of the mission. In year two, similar buyer/seller missions will be replicated in Malawi and Zambia.

Challenge: Implementation of the NAMPO activity only began in calendar year 2011, and there was insufficient time to prepare for the show in May 2011.

Activity 2.1.D.1.b: Facilitate regional apparel and textiles Business to Business (B2B) (buyer-seller) events:

SATH held a textile, apparel, and garment trims Business-to-Business (B2B) meeting, attended by 8 textile manufacturers, 35 garment firms, 9 garment trim firms, and 14 apparel retailers/sourcing agents. Suppliers from South Africa, Botswana, Lesotho, Swaziland, Namibia, Tanzania, Zambia, Zimbabwe, Mauritius, Madagascar and The Gambia attended. Buyers from South Africa, US, Portugal and Sweden participated, including major chains such as Wal-Mart, JC Penney and H&M. About 420 one-on-one business contact meetings were held; it is estimated that at least another 40 non-scheduled meetings between participants took place. An estimated 220 new business linkages, with nearly \$2 million in confirmed deals, were made based on meetings at the B2B. \$13 million in verified deals have occurred from business linkages established at the show, with potential for another \$5 million. In the garment and textile sector, a long process of sample provision, negotiation, factory audits, and trial orders are required before sustainable trade links are struck, and the B2B event provides a key opportunity to initiate the process.

Challenge: Implementation of the B2B activity only began in calendar year 2011, and there was insufficient time to prepare for the show in June 2011.

Activity 2.1.D.1.c: Facilitate participation at regional and international specialty food trade shows.

- SATH, in partnership with ACTESA and the Western Cape Fine Foods Initiative (WC-FFI, also known as SAFFA) and with support from the Department of Trade and Industry (DTI), hosted a Specialty Foods Workshop in Cape Town. Attended by 56 participants from 51 organizations in 5 SADC countries, the workshop addressed food safety and traceability, retailer requirements, raised awareness of WC-FFI (SAFFA) and prepared companies for the Summer Fancy Food show. Specialty food companies networked with experts and service providers such as packaging companies and product development experts.
- Sixteen specialty food firms from Southern Africa, most of whom participated in the workshop, attended in the Summer Fancy Food Show in Washington, DC under the

I enjoyed the presentations and the interaction and I also found the networking opportunities good and meaningful. I have had contact with some of the participants already and I am sure we will do some business with in the future.

Albert Katsande, COO
OK Zimbabwe

I just wanted to thank you again for giving Black Mamba the opportunity to attend the workshop: you cannot imagine how helpful it was, and what an eye opener! The opportunities are there, but there is also so much to do!

Claudia Castellanos, Managing Director
Black Mamba Foods (Pty) Ltd, Swaziland

Thank you for the materials and the opportunity to participate in such workshop. It was fulfilling especially on wealth management, product development with line extension which we are trying to consider. Also we had three companies that we are writing mails as follow up to the discussions we had during the workshop.

Elly Mwale, MD
Glymo Enterprises, Zambia

Taste of Africa Pavilion with SATH technical and financial assistance (together with DTI).

Challenge: No challenge to implementation.

Activity 2.1.D.2: Develop business matching service capabilities for the apparel and textiles sector.

- SATH provided business matching services and directly assisted a number of firms looking to source from the region, including casual wear, swimwear and underwear. SATH also worked to support an investment in fabric and ancillary production facilities in Lesotho, which would help fill a critical gap in the garment value chain.
- SATH concluded that developing business matching services in this sector can be best accomplished as part of the support for the Source



Africa 2012/B2B show. Regionally-based sourcing agents and brokers working for South African or international buyers will be provided with a thorough briefing on supplier capabilities in the region in year two.

Challenge: Developing matching services is not a stand-alone activity and should be integrated into trade show/buyer missions and regional capacity building activities.

“We have currently realized 7 new accounts that we have shipped product to as a direct result of the trade show... Additionally we are currently in talks with the New York Whole Foods buyer as a direct result of the show. Lastly we are mining our leads and anticipate we will close another 3-4 before the year is out. All in all I believe the show for us was successful.”

Activity 2.1.D.3: Provide Program Support and Capacity Building for Regional Association and Alliances involved in the selected value chains.

- **Sub Saharan Africa Soy Alliance (SSASA):** SATH, in conjunction with Technoserve, helped launch SSASA in May 2011. Membership comprises all soybean value chain actors including seed suppliers, producers, traders and processors in SADC and will serve as an entry point for SATH activities in year two to build national soy association capacity.
- **Animal Feed Manufacturers Association (AFMA):** Activities will drive the introduction of new technology and Good Manufacturing Processes (GMP's) in the region to improve throughput of grains and soybeans. In partnership with AFMA, SATH initiated an inventory and analyze commercial animal feed manufacturers, maize, wheat mills and oil expellers (soy, sunflower, cotton seed) in the key producing SADC countries. Results of the assessment will inform investment and trade decisions, and will help identify 6 firms for GMP audits in year two.

- **Grain SA:** SATH worked with Grain SA in two areas: 1) to extend the support that Grain SA provides to the SATH NAMPO initiative for 2012, and 2) to extend the crop forecasting, market forecasting, silo testing, and other services offered by Grain SA affiliated companies to the SADC region on a commercial basis. A MOU and/or grant agreement will be developed in year two.
- **Southern African Cotton Producers Association (SACPA):** SATH and SACAU jointly developed a program of support for the newly founded Southern African Cotton Producers Association. With SATH grants funds in year two, the focus will be on grading, seed availability (both GM and conventional), and best practices in subcontracting and grading.
- **Prospective Southern African Groundnut Producers Association:** SATH and SACAU discussed a regional program to support the groundnut value chain, possibly leading to the formation of a groundnut producers association in year two.

Challenge: It takes considerable time to identify the right organization to work with, find the best way to establish the relationship, and develop mechanisms to build trust and confidence in the organization to agree to work with SATH.

Activity 2.1.D.4: Develop and Deliver Energy Consumption Audit Services for the Garment and Textile Industry

SATH met with the demand side management unit of Eskom SA to undertake energy audits in the textile and apparel industry in the region, however, the company re-oriented its programs to concentrate on saving energy among high energy users only, thereby excluding textile and apparel manufacturers.

Challenge: Eskom SA reoriented its energy management program away from the textile and apparel areas.

Activity 2.1.D.5: Identify and promote opportunities for greater US-African cooperation in trade and investment through the AGOA process and partner institutions

Initially, SATH focused on the specialty food sector for increased penetration of the US market through AGOA, with an emphasis on assisting close-to-export ready firms enter the US and other markets.

- In conjunction with SAFFA, SATH conducted an export readiness workshop for regional specialty food producers, to prepare them to maximize the benefits from their attendance/exhibition at the 2011 Fancy Food show National Association for the Specialty Food Trade (NASFT) in Washington, DC.
- SATH provided direct support to regional firms looking for a market (e.g. Namibian hake), or for better understanding US government barriers to entry (e.g. turtle protection requirements for a Mozambican fishing company).

SATH re-oriented its approach in the latter half of 2011 to focus AGOA efforts on building relationships with US firms and associations within the strategic value chains that have trade or investment interest in Southern Africa. Examples of SATH US-based outreach include:

- **Syngenta:** As the marketer of Aflaguard ®, a bio-control means of reducing aflatoxin contamination in groundnuts, SATH has discussed possible collaboration to develop locally adapted versions of Aflaguard ® for marketing in southern Africa.
- **American Peanut Council (APC):** APC will support SATH initiatives to form a regional groundnut association by providing their organizational expertise and linkages to the US peanut industry. APC agreed to support SATH work in groundnut processing with particular emphasis on Plumpy Nut, a Ready to Use Therapeutic Food (RUTF).
- **LMC Carter:** A US based manufacturer of industry standard groundnut processing equipment, LMC Carter will work with SATH to supply equipment on a regional basis utilizing SATH identified sources of finance. Utilization of LMC Carter equipment will improve quality and reduce Aflatoxin incidence in the region.
- **Golden Peanut:** Golden Peanut, wholly owned by Archer Daniel Midland (ADM), requested SATH assistance in identifying suppliers and investment opportunities in the region. The company plans to invest in production and processing in the region. SATH agreed to provide the company with a regional groundnut overview and facilitate and lead an inward regional mission in year two.
- **University of Georgia Peanut Collaborative Research Support Program (CRSP):** The Peanut CRSP and SATH will work together in the region to commercialize CRSP researched Aflatoxin mitigation techniques in year two.
- **American Feed Industry Association (AFIA):** SATH discussed with AFIA, who has linkages to AFMA, to develop a working relationship between the associations in order to support ingress of US technology, expertise and investment in the sector on a regional basis. AFIA will support planned feed training initiatives at Kansas State University and plans to bring a US feed delegation to the region to explore trade and investment opportunities in year two.
- **American Equipment Manufacturers Association (AEM):** Following discussions with SATH concerning regional trade and investment opportunities in year one, AEM will facilitate a US agricultural equipment delegation to join the SATH NAMPO activity in year two.



Challenge: It takes considerable time to identify the right organization to work with, find the best way to establish the relationship, and develop mechanisms to build trust and confidence in the organization to agree to work with SATH

Activity 2.1.D.5.a: Support to AGOA institutions, forums, processes to deepen penetration of U.S. market

- SATH participated in the AGOA Review survey commissioned by the UN Economic Commission for Africa- Southern Africa (UNECA-SA).
- At the request of the US Embassy/Zambia, SATH participated in the Media Training on AGOA and the AGOA Forum in Lusaka, Zambia. Eighteen journalists from

different media houses in Zambia received training on AGOA, provided by SATH, to enable them to accurately report on the Forum.

- SATH presented on AGOA to 57 participants at the PhytoTrade Africa Annual General Meeting & Natural Products Expo in Namibia. A number of firms showed interest in taking advantage of AGOA, but to do so must address marketing, packaging, labeling and meeting international standards such as ISO and HACCP.
- Ninety participants from the government, textiles, agribusiness and giftware sectors attended the Botswana Women Entrepreneurs: “Taking Full Advantage of Market Access – AGOA and Beyond” workshop, co-sponsored by SATH, the Department of International Trade (Botswana), Women In Business Association (WIBA) and supported by the U.S Embassy. SATH presented on AGOA and emphasized that quality of product needs to be enhanced before looking to export.
- In collaboration with the SPEED Project, SATH presented on AGOA and focused on possible Mozambique export products such as honey, fish/prawns, dried fruit, pineapples and nuts.
- SATH presented on AGOA and the textile/apparel sector at the Trade & Investment KZN (TIKZN) in South Africa.

Private Sector Day at the AGOA Forum

- SATH led a working group of U.S. Government and private sector entities to plan the agenda for the Private Sector Day at the 2011 AGOA Forum held in Lusaka, Zambia.
- SATH supported the African Women’s Entrepreneurship Program (AWEP) Zambia Chapter prepare to host the first AWEP Conference, as part of the 2011 AGOA Forum. As a result of the conference, the Zambian Minister for Commerce, Industry, and Trade launched a women’s business incubator and the Zambian AWEP chapter will serve as the secretariat for AWEP.

AGOA Resource Centers

- To enhance SATH efforts in assisting SADC countries understand and take advantage of AGOA, SATH developed the concept of national AGOA Resource Centers to improve dissemination of AGOA related information and organize country specific activities. The first Center was scheduled to be launched in Zambia with support of USAID/Zambia in year one, but the necessary co-funding to the center is yet to be committed. If the Zambian pilot proves successful, other AGOA centers could be launched in year two.

Challenge: For the AGOA Resource Center in Zambia, it proved time-consuming to find a suitable local counterpart and USAID/Zambia co-funding was not forthcoming.

The AWEP engagement was highly challenging, given the fragmented, nascent stage of the group’s formation, and a high degree of politicization.

Activity 2.1.D.5.b: Identify trade and investment opportunities in the SADC region for U.S. companies that will benefit value chain stakeholders

- As part of the NAMPO trade show, SATH interacted with CCA and the Department of Commerce (DOC) to highlight trade and investment opportunities for US based companies. For US-based companies under the DOC delegation, SATH introduced

the regional NAMPO delegation and the US companies received several enquiries for quotations for their equipment. The regional delegation was also introduced to Atratin, an intermediary for the US ExIm Bank to finance US exports to the region, and a number of financing options are currently being developed.

- SATH identified five companies from Malawi, Mozambique and Zambia interested in procuring agricultural equipment from the US who participated in an inward buyer's mission coordinated by the US Trade and Development Agency (USTDA).
- SATH identified equipment utilized in the priority value chains with a view to linking US companies to opportunities in these areas. Initial work focused on the groundnut sector, with specific supply opportunities from LMC Carter, a US company.
- John Deere is expanding in the SADC region, with a focus on increasing market share among small scale emerging farmers. SATH agreed to facilitate trade linkages, supply industry contacts, exchange information and otherwise explore a partnership program with John Deere to enable them to penetrate the intended market, and help improve smallholder productivity in year two.
- SATH identified demand opportunities in the US for Spanish type (small round) groundnuts produced in Malawi, Mozambique, South Africa, Zambia and Zimbabwe. As noted earlier, a US company, Golden Peanut, expressed interest in exploring supply and investment opportunities around this variety, and SATH will support this trade linkage in year two.

Challenge: No challenge to implementation.

IR 2.2: Enhanced Private Sector Capacity to Comply with Regional and International Market Standards, including Agricultural Standards

Activity 2.2.A Build awareness and demand at the firm level for meeting market, quality and safety standards

Compliance with South African and international aflatoxin standards has been identified as the largest constraint to trade expansion in the groundnut value chain (and is also a significant problem for maize). SATH focused most activities on plans to work with the private sector to drive aflatoxin mitigation initiatives through the supply chain on a sustainable basis.

Achieving cost-effective compliance with aflatoxin standards is complex, but SATH focused on 1) the introduction of cost-effective mitigation practices in the groundnut supply chain, and 2) constraints on testing capabilities in SADC countries (outside South Africa).

Outside of aflatoxin, other market standards of critical importance to the strategic commodities include:

- GMO compliance (primarily GMO seed)
- Grain quality testing
- Cotton quality control
- Feed manufacturing GMP

Challenge: Achieving cost-effective compliance with standards is complex. Major research oriented initiatives such as Aflasafe are an important complement to SATH's value chain work, but have a long time horizon, and are ultimately motivated more by public health concerns than on reducing the barriers to trade being addressed by SATH.

Activity 2.2.A.1: Facilitate training, seminars and standards awareness-raising workshops at the regional level:

SATH determined that the key value chain participants are already aware of the need to meet the key market, quality, and safety standards, and are showing strong demand for support in these areas. What is required is identification and training on the most cost-effective means of compliance. SATH determined that the most important first step is through focused supply chain initiatives (such as those under development with SA Groundnut, Tiger Brands, and Twin Trade).

Challenge: No challenge to implementation.

Activity 2.2.A.2: Develop technical information and fact-sheets to increase outreach

As part of the joint SATH and Twin Trade aflatoxin mitigation analysis, technical information is being developed. In the PPPs with supply chain players which will be initiated in year two, fact sheets in the vernacular languages will be developed and disseminated as part of the mitigation strategy.

In SATH's discussions with SACAU and the SA Oilseeds Board on the formation of a regional groundnut association, the development of technical information and dissemination of fact sheets on aflatoxin mitigation will be part of the program.

Challenge: No challenge to implementation.

Activity 2.2.A.3: Develop an overview and analysis of GMO issues: national GMO standards, compliance requirements, international bio-technology trends (cereals, legumes and cotton).



SACAU, with the unanimous support of their member-based farmers' unions, took an official position to promote biotechnology as an option for farmers in the region to increase productivity and reduce pesticide usage.

To support the initiative, SATH studied the policy, technical, and commercial roadblocks to the introduction of GM cotton in Zambia, and recommended possible interventions, to be finalized and implemented in year two. SATH also worked with SACAU to develop a program to support to the cotton sector, incorporating a farmer/public advocacy

campaign for the introduction of BT cotton in Malawi, Zambia, Mozambique and possibly Zimbabwe.

SATH started to develop a program with the Mozambique Institute for Cotton (IAM) to remove the roadblocks to initiating GM cotton trials, and worked with the IAM and Mozambique's national investment promotion body on a program to attract additional value chain investments. Substantive work will begin in FY2012, with technical support to IAM and sponsorship of an investment event.

SATH supported the Farmers Union of Malawi's (FUM) Biotechnology Summit, which brought government and private sector together to agree on practical steps for the commencement of GM trials and allow for the commercial application of GM technology, particularly BT cotton. The FUM summit successfully advocated for trials of BT cotton in Malawi to start in the next growing season (2012) and approved an application by Bunda College to commence trials.

SATH discussed the issue of access/affordability of GM technology and biotechnology alternatives on the part of local seed companies with the African Seed Traders Association (AFSTA). A draft MOU was developed and will be finalized in year two. GMO acceptance at the farmer, technical, and policy level in the SADC region has moved more quickly than expected.

Challenge: No challenge to implementation.

Activity 2.2.B Build the capability and outreach of BSPs to develop programs to raise awareness, understanding, and how to achieve optimal means of compliance with standards

Aflatoxin

SATH focused on working with the key groundnut buyers to introduce aflatoxin mitigation practices, as the most effective first step in achieving compliance. LSPs – whether laboratories, trainers, or even farmer associations – will be brought in the supply chain programs in year two, and will be trained as appropriate.

SATH also focused efforts on analyzing aflatoxin testing capabilities and analyzing the market for aflatoxin testing services in the region. In year two, SATH will work with LSPs, such as SAGL, to help them develop and market appropriate services for aflatoxin testing in the southern African region.

Challenge: No challenge to implementation.

Animal Feed

Together with AFMA, SATH planned for six Good Manufacturing Process (GMP) audits of regional animal feed manufacturers and results will determine further interventions in the animal feed sector, particularly relating to standards compliance and safe feed processes. Implementation of the GMP audits will be done in year two, as areas of focus depend on the outcome of the SATH survey of animal feed manufacturers/millers initiated in year one.

Challenge: No challenge to implementation.

Honey SPS

SATH reviewed requests from honey producers and traders in Zambia on ways to assist to satisfactorily resolve the honey irradiation requirement imposed by South Africa for exporters wishing to take advantage of a niche organic market. Mandatory irradiation appears to be a NTB imposed by the South African beekeepers' lobby, not an issue of

private sector compliance with international standards, as the diseased organisms are not present in honey from the region, according to Zambian authorities.

SATH held consultations with the appropriate SADC and South African authorities, as well as Trademark SA (who have been working on this issue), in year one. SATH determined that the issue was being resolved at a political level and will assist with technical input as needed in year two.

Challenge: No challenge to implementation.

Cotton quality control

As noted above, SATH developed plans to work with Cotton SA to expand their role as a regional service provider to organizations in southern Africa's cotton growing industries, and cotton quality control was one of the key issues to be covered.

Challenge: No challenge to implementation.

Grain Quality

SATH developed relationships and discussed capacity-building interventions with SACAU, AFMA, PPECB, DTI, Grain Handling Association of Southern Africa (GOSA), Grain SA, South African Grain Laboratories (SAGL) and the Grain Training Institute (GTI).

Challenge: The primary challenge in this activity is the time required to identify the right organization to work with, find the best way to establish the relationship, and to build trust and confidence in the organization to agree to work with SATH.

For some of the South African organizations, it takes additional time to help them prepare to work outside of the South African context, to adapt to conditions in the rest of the SADC region.

Activity 2.2.B.1: Develop database of qualified regionally based standards-related BSPs

SATH initiated the development of regionally-based BSPs in the following areas:

- A review of Aflatoxin testing services and testing market dynamics in South Africa, Malawi and Zambia
- Grain quality testing services available (in South Africa)
- GMO compliance and advisory services (in South Africa)
- Cotton quality control services (in South Africa)
- Feed manufacture GMP (in South Africa)

Challenge: It has proven difficult to develop accurate and complete databases of BSPs through desk research, and some field work will need to be undertaken.

Activity 2.2.B.2: Develop partnerships with qualified BSPs who plan to expand (or are interested in expanding) their reach in the region

SATH initiated relationships and discussed capacity-building interventions with SACAU, AFMA, PPECB, DTI Grain Handling Association of Southern Africa (GOSA), GrainSA, Cotton SA, South African Grain Laboratories (SAGL) and the Grain Training Institute.

Challenge: For some of the South African organizations, it takes time to help them prepare to work outside of the South African context and adapt to conditions in the rest of the SADC region.

Activity 2.2.B.3: Develop partnerships with regional trade and commodity organizations to develop programs to raise awareness, understanding and how to achieve optimal means of compliance with standards

In addition to the partnerships noted above:

- **SA Groundnut** accounts for one third of South African groundnut production and processing. With SATH support the company established new trade links and production and processing opportunities in Mozambique. In conjunction with SATH, SA Groundnut will commercially trial Aflatoxin mitigation techniques in South Africa and Mozambique in year two.
- **Tiger Brands** is South Africa's largest groundnut processor and SATH assisted the company identify new sources of groundnut supply in Mozambique and Malawi. Tiger Brands will also support SATH Aflatoxin mitigation work through the provision of regional sampling procedure training in year two.

Challenge: No challenge to implementation.

IR 2.3: Increased Use and Availability of Financial Products and Services for Trade and Investment

Activity 2.3.A Develop a database of financial services available in the region

Given the breadth of financial services available in the region, SATH focused the development of a regional database of financial services by 1) undertaking rapid appraisals of key countries in the region, and 2) taking a “deep dive” approach to analyze some of the lesser known but increasingly important providers of financial services in the region.

Zambia

Fact finding in Zambia revealed a diverse stance in the attitude of banking institutions in the country, where banks provide 87% of agricultural finance.

The status of input finance, trade finance and asset finance were documented, and needs and opportunities were presented to DFIs in South Africa, in particular to the Export Credit Insurance Corporation (ECIC), Industrial Development Corporation (IDC), and the Development Bank of Southern Africa (DBSA). SATH also alerted these DFIs of enquiries from Zambia, such as traders (for warehousing), producers (for asset finance) and processors (for new or refurbished equipment).

Malawi

Most banks will not provide input finance directly to smallholder farmers, but will lend to a buyer (e.g., ginner or miller) with a track record. Only large commercial estates with strong balance sheets, track records, and collateral are able to obtain input finance directly. Most banks do not have an extensive branch network, which limits their ability to monitor borrowers, thereby increasing transaction costs. While the National Bank of Malawi (NBM)

does have an extensive branch network, it maintains a cautious approach due to losses suffered in the past. Standard Bank of Malawi identified two farmer cooperatives where farmers were confident about their ability to service input finance, but Standard Bank was not prepared to absorb the full repayment risk. SATH advised USAID/Malawi to explore negotiation of a Development Credit Authority (DCA) partial credit guarantee facility with Standard to unlock finance opportunities.

Challenge: The initial rapid financial appraisals in Zambia and Malawi flagged some interesting potential transactions which if consummated would be of great value. However, they were less successful in identifying more systematic ways to improve financial access. Future rapid financial appraisals will be more focused.

Activity 2.3.B Develop financial sector policy issues papers

SATH and SAFEX, the commodity arm of the Johannesburg Stock Exchange, discussed the preparation of an issues paper for presentation to the Government of Zambia on the role of futures and options contracts in managing price risk in agricultural commodities.

SATH was also requested to present at a number of events in the region, and invariably policy issues are raised as one of the key constraints to increased access and cost of financial services.



Challenge: USAID requested SATH not to respond to the SAFEX request to develop an issues paper due to concerns about the readiness for derivatives in the region. The activity is demand driven and no other requests were received.

Activity 2.3.C Increase value chain access to credit

SATH discussed credit needs, and credit instruments were identified and proposed to producer associations (such as Zambia National Farmers Union), traders (such as Export Trading Group and Zdenakie), trader associations (such as Grain Traders Association of Zambia), banks and financiers (such as Standard Chartered, Stanbic, Barclays, Ecobank and Afgri) and other value chain role players such as Food Reserve Agency and Zambia Development Agency.

SATH also alerted South African and international DFIs (such as IDC and IFC) to financial needs and opportunities in the SATH value chains. Special attention was given to storage (warehouse/silo infrastructure) requirements, and dissemination of information on storage options and realities as well as creative financing mechanisms such as fractional ownership.

In preparation for the NAMPO Agricultural Trade Fair, 25 regional and international participants attended a SATH briefing on finance which addressed trade and capital finance from ABSA AgriBusiness, doing business in South Africa from International Trade

Projects, credit insurance from ECIC, and US Ex-Im Bank trade finance from Atratin. SATH provided 20 suppliers attending NAMPO with a list of banks and banking representatives specializing in trade, export, structured trade, infrastructure, and project finance.

SATH followed up with the regional NAMPO delegates several months after the show, and eight participants reported obtaining finance to date, of which four indicated they are still considering proposals from suppliers, upgrade cost implications and viability.

Challenge: No challenges to implementation.

Activity 2.3.c.1: Improve the design of and access to credit/political risk financial services.

Activities undertaken are noted in Activity 2.3.C.4: Improve accessibility and usefulness of trade financial services available for trade in value chain commodities and inputs below.

Challenge: No challenge to implementation.

Activity 2.3.C.2: Support the warehouse/silo infrastructure and systems management for enhanced credit to commodity value chain participants, ultimately through warehouse receipt systems

At the request of USAID/Zambia, SATH conducted an assessment of the Zambia Commodity Exchange (ZAMACE) as a way to strengthen its function as a commodity exchange and as a certifier of warehouses to issue transferable/negotiable warehouse receipts.

In addition to the structural weaknesses within ZAMACE and its rules of operation, the ZAMACE management believed that its ability to issue warehouse receipts required legislation to make warehouse receipts legally negotiable instruments². The Agricultural Credit Act (ACA) of Zambia was passed in March 2011, but the legislation is viewed by most stakeholders as defective, and furthermore the regulations implemented the legislation have not been gazetted.

SATH developed a program 1) to strengthen ZAMACE, 2) to assist a Technical Committee to work through the enabling regulations the Agricultural Credit Act, and 3) to work with SAFEX to use the certified warehouse system to bring price risk management (commodity futures) to producers, processors, and traders in Zambia.

Challenge: Implementation of the program was postponed due to serious financial constraints within ZAMACE, the slow process of assembling a Technical Committee for the ACA, and the slow process of SAFEX receiving approval from the South Africa Department of Treasury to offer dollar-denominated futures contracts to companies resident in South Africa. Implementation of this program will await developments in year two.

² In South Africa, in contrast, there is no specific warehouse certification, and there is a thriving market in negotiable warehouse receipts, which underpins SAFEX operations.

Activity 2.3.c.3: Support increased trade through strengthening and integration of regional commodity exchanges

One of the main reasons SATH worked in the regional integration commodity exchange area was to bring the benefits of price risk management through futures and options contracts. With these, producers/sellers as well as processors/buyers can lock in future prices, which enables better business decision making, reduces risk, and lowers the cost of finance.

SATH held discussions with Gaborone-based Bourse Africa, which is backed by the largest commodity exchange in India (MCX). Bourse Africa had plans to introduce a pan-African commodity exchange based in Botswana, starting with agricultural and precious metal contracts. It appears that the funding milestones that Bourse Africa had planned to meet were not realized, that key Bourse Africa staff have taken other appointments, and Bourse Africa has been dormant since July 2011.

ACFEX is a new pan-African commodity exchange, promoted by the former head of ACTESA, and requested SATH support in the last month of year one. SATH due diligence revealed that ACFEX is at the very earliest stages of organization, has not yet established credibility with key private sector players, and therefore active collaborative efforts are premature. SATH will track developments at ACFEX closely in year two.

SATH held initial discussions with SAFEX (part of the JSE), the only exchange that offers futures and options contracts in sub-Saharan Africa, and they discussed their plans to offer a US\$ denominated contract in Zambia for wheat, maize, and soy. The ZAMACE management and board were enthusiastic about the potential integration of the ZAMACE spot market with the SAFEX futures market, which would have the effect of greatly increasing standards and liquidity on the ZAMACE exchange, in addition to introducing a valuable new price risk management tool. SAFEX were keen to have SATH's assistance on a program of education on the role of futures markets in providing price risk management and price transparency.

SATH also met with key organizations representing producers, traders, and processors in the region outside of Zambia (Grain SA, maize milling trade associations, SACAU, etc) to analyze their interest in the availability of price risk management instruments outside of South Africa. While there was the recognition that this needed to be done with the proper oversight and controls, there was also widespread interest in the availability of futures contracts in Zambia.

SATH developed a scope of work for a price risk mitigation review that will explore the issues in greater depth, to be undertaken in year two.

Conduct study to analyze factors constraining effectiveness of exchanges within and between Southern African countries, and their ability to provide services across the Southern African region

Outside of South Africa, commodity exchanges are struggling to establish themselves, and have depended heavily on donor support, including USAID. SATH held extensive consultations with ZAMACE, as noted, and with Malawi ACE.

Malawi ACE was designed to be a regional exchange, but despite successes with attracting WFP procurement business, has yet to attract much business from private sector sellers, and faces increasing problems because of its location in politically troubled Malawi.

ZAMACE, by the end of the year, was virtually moribund.

Challenge: The planned work with SAFEX was identified as a promising way to help integrate regional exchanges, however, USAID requested SATH to stop work in this area.

Malawi ACE faces increasing uncertainty because of the political circumstances in Malawi.

Convene a regional workshop, in partnership with regional stakeholders, to share and critique the findings of the study

No activity was undertaken in year one.

Challenge: The activity is driven by outcomes of other activities which were postponed.

Develop partnerships with key value chain stakeholders to deliver awareness and capacity building workshops targeted to private and public stakeholders

No activity was undertaken in year one.

Challenge: The activity is driven by outcomes of other activities which were postponed.

Support regional linkages of exchanges

No activity was undertaken in year one.

Challenge: The activity is driven by outcomes of other activities which were postponed.

Activity 2.3.C.4: Improve accessibility and usefulness of trade financial services available for trade in value chain commodities and inputs

Commercial Banks

SATH developed relationships with Standard Bank, Stanbic Bank, ABSA Bank and PTA Bank to ascertain available financial services. Each bank expressed interest to support SATH value chain players in different capacities and SATH will continue to explore and link these opportunities to beneficiaries in year two.

Financial services are available to value chain players, but with selected interest and conditions subject to further review.

- Standard Bank is interested in small, individual clients and farmer-organized groups.
- Stanbic Bank will approach SATH when ready for possible DCA utilization.
- ABSA Bank is prepared to finance cotton production, subject to an agreed fixed minimum market before lending.
- PTA Bank may be interested in securing a line of credit with IDC.

Insurance Companies

SATH signed a MOU with ECIC and agreed to undertake a joint review of their product offering. ECIC covers repayment risks associated with capital goods and services between suppliers/contractors in South Africa. ECIC requested SATH assistance to analyze and recommend improvements in product offerings, underwriting procedures, or marketing programs in the following areas:

- ECIC suppliers/buyers credit product for small and medium transactions
- ECA covered credit lines to banks
- Leasing and other asset-based finance
- Working capital lines



Work will begin in year two.

SATH also identified a need for credit insurance cover to exceed beyond six months to enable fertilizer to be offered on credit to producers throughout the entire crop cycle. SATH engaged export credit insurers on possibilities to extend cover for the duration of a complete crop cycle (e.g., nine months instead of six months which is the norm), and two companies agreed to look into the option. Omnia Fertilizer was linked to Credit Guarantee to pursue potential solutions, but Credit Guarantee interest depends on their assessment that the market is large enough to warrant offering this extension.

Financial Intermediary Development

Financial intermediaries are LSPs that can bridge the gaps between DFIs and customers, and greatly increase the reach of the DFIs low-cost financial products to a greater customer base. SATH is working with financial intermediaries in the US and in South Africa.

- **US**

Working with SATH, the American Trade Finance Company (Atrafin) prepared options to increase US exports for farmers and other agricultural value chain role players in the region, to evaluate the entities against US EXIM Bank criteria with the aim of pre-qualifying them for credit, and to take the selected entities (with SATH assistance) to experience practices, technology and its application, as well as product offerings in the US.

SATH developed a program with Atrafin to link them to US trade associations representing equipment and technology suppliers that could benefit from EXIM financing. This was under development in year one, and will be fully developed in year two.

- **South Africa**

SATH explored collaboration possibilities with several potential intermediaries in South Africa, and decided to work with CRESCO, who already acts as the South African representative for MIGA. SATH worked with CRESCO to build their capacity to act as intermediary with ECIC, as well as other regionally oriented DFIs such as

IDC, DBSA, the PTA Trade Bank etc. SATH will formalize and implement this program in year two.

Challenge: Decision making at state-owned or state-controlled DFIs such as ECIC is slow, so agreement on activities takes time.

Activity 2.3.C.5: Leverage project finance/investment in regional value chains

SATH implemented this activity in number of different ways, leading trade and investment missions, making presentations at regional events, undertaking an analysis of how to increase the amount and impact of private equity in agricultural value chains, and in collaboration with Objective One and ACTIF, plans to prepare investment profiles for the textile and garment industry, and finally, direct advice to firms and governments.

At the US EXIM 101 workshop, SATH discussed how Zambian companies can utilize international finance and, as a result of the presentation, local companies agreed to consider using financial and/or insurance products as they enter into trade and/or investment transactions in future.

The SATH northern Mozambican buyer/seller mission noted above intended to build investment as well as trade linkages. As a result, the largest groundnut processor in South Africa is actively exploring an investment in groundnut processing in Beira. Future SATH buyer/seller missions in Zambia and possibly Malawi or Zimbabwe will have the same intent and may yield similar impacts.

Private equity funds have been created in the past several years with the intent to raise billions of dollars of funding for investment in the agricultural value chain in Africa. This new trend in finance promises to have a transformational impact on financing agricultural value chain in Africa, in two major ways:

1. one of the key constraints to finance is low ratio of shareholder's equity to debt, and private equity funds provide this equity
2. private equity funds add additional value by taking an active role in structuring and managing investments to will ensure commercial sustainability

SATH initiated the analysis of the role of private equity investment in agriculture to determine how to increase the scope, food security/development impact, and sustainability of investments for value chain players. Over 100 private equity funds were screened, and 10 were selected for in-depth analysis and recommendations for further action. The analysis will be completed in year two, and SATH will take the appropriate action on the recommendations.

In collaboration with ACTIF, SATH began to develop profiles of key SADC countries with the potential to attract textile and garment investment. In year one, the process of data compilation was initiated, with the first several country profiles to be finalized in year two. SATH planned possible investment promotion events focused on the textile and garment sector with Mozambique, Botswana and SADC investment promotion agencies.

SATH explored the possibility of undertaking an agriculture-focused "Doing Business Indicators" analyses in the SADC region countries that would provide a sharper focus on the investment climate for agriculture and agribusiness. One methodology that was explored was the USAID-developed "AGCLIR", a comprehensive framework which has been tested worldwide basis and was rolled out in Tanzania in 2010. Another possibility SATH explored is a newly-developed World Bank initiative.

Challenge: No challenge to implementation.

Activity 2.3.C.6: Analyze the potential for leasing and other asset-based financing, and promote as an alternative financing option in the region

SATH worked with ECIC, as noted above, on leasing and other asset-based financing options.

Challenge: No challenge to implementation.

Activity 2.3.C.7: Analyze production risk coverage (multi-peril crop and weather insurance) for commodity production

Analyze the crop and weather insurance services available in the southern African region

Exploratory work on weather and crop insurance was completed and initial conclusions indicate that weather insurance is still very much at the pilot stage, and that regional scale-up interventions were not a high priority. Several models of private public partnerships in crop insurance services will be analyzed for their adaptability to southern African context in year two.

Challenge: Donor interest in introducing weather risk insurance services is very high, and SATH does not perceive this as a high priority for involvement.

Disseminate and review findings in a workshop, in partnership with key value chain stakeholders

No activity was undertaken in year one.

Challenge: The activity is driven by outcomes of other activities.

Develop a pilot program that will increase the availability of production risk insurance coverage in the Southern African region

No activity was undertaken in year one.

Challenge: The activity is driven by outcomes of other activities.

IR 2.4: Increased use and availability of trade-related ICT products and services

Develop Interactive Business Information and Services Portal or other website for Textile and Apparel Industry

SATH met with LTE South Africa, a private company that produces a printed directory of South African textile and apparel manufacturers, and encouraged the company to engage with an online publisher, iFashion, who runs a web site focused on the regional fashion industry. LTE and iFashion already do business with each other.

After these discussions, and their careful market analysis, LTE Africa proposed to establish an on-line directory of Southern African regional textile and apparel manufacturers, with quarterly updates on industry trends and news. SATH and LTE Africa began to work out the process of collaboration, with SATH (and possibly ACTIF) assisting in the process of compiling and updating information outside of South Africa, Lesotho, and Mauritius. This arrangement will be formalized and activities implemented in year two.

SATH discussed with ACTIF the online directory concept and initially expressed the desire to manage to develop a directory themselves, but have come to see the benefits of having a commercial firm to develop and manage the directory. SATH and ACTIF will continue these discussions in year two.

Challenge: No challenge to implementation.

Develop interactive business information and services portal or other website for staple food and commodity value chains (staple foods, legumes and cotton)

SATH commissioned an analysis of the market price information services available in Southern Africa, looking at their usefulness to value chain players and the sustainability of expanding their coverage. Field work was carried out in Malawi, Zambia, and South Africa and with market price service providers such as ZNFU, MACE, ZAMACE, SAFEX, Senwes, ABSA and others. This work was complemented by research into other market price information systems being developed and introduced into the region. SATH also met with FewsNet and US Department of Agriculture (USDA), and both indicated their willingness to supply information (pricing data, commodity trends and availability, informal trade data).

Although the study was not completed by the end of year one, the initial findings were that the market price models operating outside of South Africa did not appear to have the ability to function as a sustainable commercial service, and require ongoing donor support. When the study is complete, SATH will review the recommendations and plans to support one or more of the private sector services to extend their services to incorporate the southern African region.

Challenge: Issues (what commodities to include, whether to include commodity transport services, technology platform choice, degree of interactivity, type of prices to include, partner selection, financing) are sufficiently complex that a comprehensive analysis of options and recommendations is required before implementation. Final results from SATH's report will be finalized and interventions identified in year two.

TransZam online transport brokerage system

To further activities in trade-related ICT products and services, SATH also undertook a brief analysis of TransZam, a web based exchange for transport. The system, developed by ZNFU as transport is main cost factor for the agricultural industry, targets transporters and players in the agricultural industry in Zambia. The system is also used by other industries such as mines, cement companies, general traders, etc.

Although the system has only been operating for a few months, the results are promising and the operators of TransZam are interested in SATH support to regionalize the system. In year two, the modalities of SATH support will be determined jointly with the Objective One team.

Challenge: No challenge to implementation.

OTHER ACTIVITIES

COMMUNICATIONS

Create Media Awareness of SATH: SATH built out their media contacts, distributed several announcements and press releases to regional media, and SATH activities were also featured regional newspaper articles.

Daily News Summary: SATH re-launched daily news clips and transitioned distribution to Real Simple Syndication (RSS), making it accessible to a broader audience.

Hub Happenings: SATH published Hub Happenings each month and showcased a new, user-friendly HTML format which is seamlessly integrated with the website.

Communications Survey: SATH finalized an extensive stakeholder survey of SATH's communication tools. The survey confirmed the assumptions and objectives of the communications strategy, and further assisted in the prioritization of activities. Results of the survey were used to inform the redesign, approach and strategy of SATH's communications tools.

Contact Database: SATH updated the project database, removing old entries and adding new stakeholders. This work resulted in a marked increase in the quality of the database, further augmented by improved categorization of contacts and focus on high-quality information sources such as participant's lists at SATH events and business cards. The database was also revised in order to be more dynamically integrated with the new website to allow users to update their own information and preferences.

Promotional Materials: SATH designed reporting templates, banners, folders, and brochures to disseminate project materials at events. In addition to collecting several video testimonials from beneficiaries and event participants, SATH also published success stories.

Trade Hub Website: A major review of the website was carried out, focusing on content, architecture, usability and modern outreach tools to ensure dissemination of SATH work

Your website looks absolutely great and I like the clean and lively look.

Themba Mathebula, Development Outreach Communications, USAID | Southern Africa

Congratulations, this is a beautiful format, keep up the good work.

George Mandula, Commercial Manager Central/Northern Regions, SDV Malawi Limited

Thank you for updating me to what is taking place in all those places and all your activities aiming at bringing the changes in trade. Thank you once again. And I will share all these to my colleagues.

Michael Willombe, Customs Branch Manager, Kyela, Tanzania

I do appreciate you sending me the regular SADC Trade Hub information, now in a new and friendly format, most valuable from both a teaching and research point of view.

Andre du Pisani, Lecturer, University of Namibia

Thanks very much for the latest copy of the Hub Happenings May 2011 edition. I always find the newsletter very informative and enjoy reading it.

Maureen P Mutasa, Chief Executive Officer, SADC Accreditation Service (SADCAS)

Thank you for the SATH newsletter. It is very informative, keep up the good work!

Bibi Giyose, Senior Food and Nutrition Security Advisor NEPAD Agency Midrand

Many thanks for the "Hub Happenings". It is very interesting.

Predi Assenga, Manager, Tanzania International Container Terminal

and trade-related information. The implementation of a content management system allows SATH to update the site almost in real time, rendering it more relevant to our stakeholders and easier to use.

Social Networking Technology: SATH became a member of Facebook, Twitter and created a YouTube channel to share project results in multiple formats to a variety of audiences.

Project Launch: SATH hosted a formal launch event for the project in the presence of media and dignitaries and other stakeholders from the SADC, and presented on challenges to implementation of the SADC FTA, which promoted an active discussion among participants on moving forward the process of regional integration.

Challenge: The delayed mobilization of the long-term Communications Advisor hindered progress on communication tasks for a few months, but once in place, all activities were completed.

REPORTING

Year 1 Work Plan: SATH completed the initial draft work plan October, and following comments and consultations with USAID/Southern Africa, a final version was approved in March 2011.

Trip Reports: For each trip, SATH completed a report summarizing key activities, outcomes, and recommendations for follow up. 212 trip reports were finalized in year one.

Meeting and Training Reports: For each formal project meeting held in Botswana, SATH completed a report summarizing topics discussed and recommendations for further action. 22 meeting reports were finalized in year one.

Quarterly Progress and Financial Reports: Each quarter, SATH completed a technical and financial summary of progress made towards work plan activities.

Monitoring and Evaluation Plan: In March, SATH completed the M&E plan which mirrors targets set in the work plan. PMP reports were finalized each quarter.

Ad Hoc Reports: SATH completed 26 technical reports, corresponding to work plan activities and ad hoc requests from regional stakeholders.

Grants Progress Reports: SATH completed a Grants Manual, Grantee Handbook, and grant forms and templates, and awarded one grant to the Dar Corridor Committee.

Challenge: The recruitment of long-term Grants Manager and M&E Specialist took a few months, and tasks in these areas were slightly delayed until their start date. All SATH staff received training on the SATH grants program and M&E requirements, yet integration of these activities into overall tasks remains a challenge. Relying on unsolicited grant proposals to augment SATH work plan activities should be expanded to solicited applications in year two to ensure a wider array of awards.

PROJECT MANAGEMENT

USAID/Southern Africa formally launched the SATH project on September 20, 2010. While the new SATH contract continued to strengthen work developed under the previous Trade Hub projects, it also expanded the scope of activities in several new areas including: Trade

in Services, Standards, Investment and a core focus on the development of regional value chains.

Challenge: Due to funding restrictions in year one, the budget obligation was 40% less than the contract award. This reduction required SATH to prioritize activity areas in year one and staggered the mobilization of some long term staff members throughout the year. The full team was mobilized by May. Some staff members are also new to donor funded activities and USAID/USG projects, and capacity building to meet implementation expectations and build experience was necessary.

Transforming the ideas of the year one work plan into concrete, actionable programs with stakeholder buy-in is a process that requires building trust and credibility, a process that cannot be rushed. In contrast, the private sector side of the previous Trade Hub focused on bringing international expertise to assist export-ready firms to enter the US market. While this achieved immediate results in terms of increased trade, it was limited to the few companies which benefited from the assistance.

As with many year one work plans, more activities were identified than there were resources available to implement. Part of the process of year one implementation was to focus on the highest priority areas of intervention, resulting in SATH not pursuing all activities fully in the work plan.

ANNEX 1: PERFORMANCE MONITORING PLAN

Year One Results

Objective 1: Advancement of Regional Integration Agenda

Intermediate result	Indicator	Y1 Target	Y1 Results
IR 1.1 Enhanced Trade Liberalization	Number of actions (audits, reports, presentations, tools developed, etc.) taken to facilitate compliance of member states with tariff and NTB commitments under the SADC Protocol on Trade	10	8
	Number of legal, regulatory or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-assisted organizations	2	0
	Number of participants in trade negotiation and trade agreement trainings provided by USG	350	400
	<i>Number of women</i>	140	142
	<i>Number of men</i>	210	258
	Number of actions taken (not mentioned above) to facilitate increased export competitiveness in SADC region.	4	1
	Number of actions taken to promote incorporation of cross-border gender issues into regional trade agenda	2	0
IR 1.2: Improved Trade Facilitation in Transit, Customs and Other Areas	Reduction in the costs to trade goods across borders (5 key border crossings) as a result of US assistance (borders to be further identified during assessment and work planning phase).	0%	N/A
	Reduction in the number of days (hours) required to trade goods across borders (5 key border crossings) as a result of USG assistance	0%	N/A
	Dollar value of new investment in the SADC region as a result of USG investment promotion activities.	0	N/A
	Percentage of investor roadmap recommendations implemented by end of the project (on average)	0	N/A
	Number of Regional Investment Policy and Promotion needs assessments carried out with SATH assistance, covering all fifteen Member States	2	0
	Number of trade in services policy or regulatory actions taken as a result of USG assistance.	1	0
	Number of SADC countries for which RIAs are conducted	1	0

Intermediate result	Indicator	Y1 Target	Y1 Results
	Number of diagnostic studies conducted on the understanding of services regulatory issues by private sector and regulators	2	1
	Number of regional trade in services workshops/ training sessions for both public and private sector stakeholders	5	3
	Number of women	50	11
	Number of men	100	29
	Number of people receiving USG-supported training in transit, customs and cross-border trade issues	80	89
	Number of regional transport and customs services diagnostics conducted	10	8
	Setting up of systems to address non-tariff barriers	See qualitative indicator table	
	Establishment of systems to streamline and interconnect customs procedures and operations	See qualitative indicator table	
IR 1.3 Alignment of Regional Agricultural and Other Standards with International Standards	Number of agricultural or other standards policy/regulatory actions taken as a result of USG assistance	1	0
	Number of sector-specific assessments that examine SPS-related constraints to cross-border trade	2	0
	Roadmap for SADC on implementing Regional SPS Coordinating Committee	1	0
IR 1.4 Strengthening Regional Capacity for Energy Sector Planning and Cooperation	Number of people receiving USG-supported training in energy-related policy and regulatory practices	60	0
	Number of policy reforms, regulations, and administrative procedures passed/approved to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance	0	N/A
	Number of energy sector diagnostics completed	2	1

Objective 2: Increased Capacity of Regional Value Chains

Intermediate result	Indicator	Y1 Target	Year 1 Results
IR 2.1: New Trade Linkages Established and Greater Competitiveness in Staple Food and Other Strategic	Number of firms receiving capacity-building assistance to export	200	141
	Number of Trade-related associations that are at least 50 percent funded as a result of USG assistance	2	0

Value Chain	Number of producer organizations, water users associations, trade and business associations and community-based organizations receiving USG assistance	4	5
	Number of buyer/seller linkages established in export capacity as a result of USG assistance	50	493
	Total value of exports by supported firms	\$50m	0
	Number of business service providers hired by local firms as a result of USG assistance	5	0
	Volume and value of exports of agricultural commodities targeted by USG assistance (annual)	\$25m	\$401,800
	Volume and value of production of tradable agricultural commodities targeted by USG assistance	\$25m	\$401,800
	Value of non-commodity exports as a result of USG assistance	\$2m	0
	Number of US firms or trade associations that have established or strengthened trade or investment linkages with African firms	5	2
	Number of regional firms more aware of AGOA advantages, how to capitalize on the benefits, and how to comply with AGOA requirements, through USG assistance	100	156
IR 2.2: Enhanced Private Sector Capacity to Comply with Regional and International Market Standards, including Agricultural Standards	Number of firms receiving USG assistance that obtain certification on international quality control, environmental, and other process voluntary standards or regulations as a result of USG assistance	15	0
	Number of BSPs supporting training and standard capacity-building activities receiving USG assistance	2	4
IR 2.3: Increased Use and Availability of Financial Products and Services for Trade and Investment	Dollar value of trade-related finance accessed by exporters as a result of USG assistance	\$5m	0
	Dollar value of new investment made in export capacity as a result of USG assistance	\$1m	0
	Dollar value of trade-related financial risk management products accessed by exporters as a result of USG assistance	\$5m	0
	Value of value chain production risk management products (weather insurance, crop insurance etc.) accessed by producers as a result of USG assistance	\$0m	N/A
	Dollar value of leasing and other assets-based financing from institutions strengthened as a result of USG assistance	\$0m	N/A
	Number of national and regional commodity exchanges strengthened as a result of USG assistance	1	0

	Number of silo/warehouse based financing programs, including WRS, created or strengthened with USG assistance	1	0
IR 2.4: Increased Use and Availability of Trade-Related ICT Products	Number of firms directly benefitting from improved ICT products as a result of USG assistance	200	0
	Usage of price and market information systems as a result of USG assistance (hits/day)	2000	0
	Number of new private sector driven ICT products and services made available to trade-related businesses on a sustainable basis	3	0

Qualitative indicators			
Indicator	Main Intervention	Status/ Milestones	Next step
Setting up of systems to address non-tariff barriers	Development of Corridor Management Institutions (CMIs)	Corridors with functional CMIs: Dar corridor & TKC.	Still awaiting formal request from Walvis Bay Corridor group for Technical assistance to establish CMIs for TCC and WBNLC
		Corridors without CMI: TCC & WBNLC	
		Current Status: Corridors have been clustered into Southern, Eastern and Western corridor clusters; North-South corridor has been classified on its own. Ministerial corridor meetings have been held and an action plan developed to establish CMIs for the corridor clusters that do not have CMIs.	
	Sustainable funding of CMIs through establishment of User Pay Principle (UPP)	TKC: Prices have been set and collection mechanisms established for the UPP	
		Dar Corridor: Zambia awaiting government approval to use the UPP; DRC awaiting MOU between Dar Corridor countries to use UPP and MOU being drafted; Malawi ready to use UPP once Zambia is on board; Tanzania already using UPP.	Still awaiting the governments of Zambia and DRC to approve the use UPP.

	Development and Implementation of Corridor Performance Monitoring Systems (CPMS)	<p>TKC: CPMS task team reconstituted and scheduled to submit TKC performance report by end of February 2012. TKC Client Service Charter (CSC) launched at all 3 TKC countries. The CSC establishes commitments by both public and private sectors on key performance areas to enhance efficiency along the corridor.</p> <p>Dar Corridor: TRA IT Specialists developed a program with automatic extraction of CPMS information and automatic submission to DCC secretariat. The program has been shared and installed in ZRA. Installation is ongoing at MRA.</p>	Usage of new CPMS program at DCC
Establishment of systems to streamline and interconnect customs procedures and operations	Capacity Building and Modernization	Risk Management and Authorized Economic Operator Policy frameworks have been finalized and presented to Heads of Customs of the 3 TKC countries for approval.	Approval by Heads of Customs of the 3 TKC countries
	Information and Communications Technology	Needs Assessments done at Namibia and Botswana Customs followed by stakeholder workshops to determine implementation roadmap for the Microsoft Corporation's Cloud Computing project. Customs clearance time baselines also established at both borders ahead of implementation.	Training and implementation of pilot project along TKC.

ANNEX 2: FINANCIAL REPORT

	Total Budget	Total Expenditures through September 2011	Budget Remaining	Obligated Amount	Obligation Remaining
Management and Administration (CLIN 1)	\$8,461,599	\$1,973,497	\$6,488,102		
Technical Services/Integration (CLIN 2)	\$31,626,144	\$3,169,465	\$28,456,679		
Technical Services/Trade Capacity (CLIN 3)	\$25,202,734	\$2,559,171	\$22,643,563		
Management and Administration (CLIN 4 - Option Year)	\$2,468,092	\$0	\$2,468,092		
Technical Services/Integration (CLIN 5 - Option Year)	\$8,255,150	\$0	\$8,255,150		
Technical Services/Trade Capacity (CLIN 6 - Option Year)	\$6,093,812	\$0	\$6,093,812		
Total	\$82,107,531	\$7,702,132	\$74,405,399	\$11,411,774	\$3,709,642